

## Part II – Observations and Recommendations

### *Financial and Compliance*

**1. Charges made to Cash-MDS Regular account amounting to ₱3,036,164.28 were not recorded resulting in the overstatement of the account as well as the corresponding Accounts Payable account by the same amount. Likewise, the supposed unutilized Notice of Cash Allocation amounting to ₱1,188,347.03, was not reverted contrary to Section 55 of Chapter 19 of the Government Accounting Manual (GAM), Volume I, for NGAs.**

1.1. Section 55 of Chapter 19 of the Government Accounting Manual (GAM), Volume I, for NGAs provides that for NGAs receiving subsidies from the national government in the form of NCA, adjusting journal entry shall be made for the reversion of the unused or unutilized NCA at the end of the accounting period. The entry for lapsed regular NCA and those issued for the payment of accounts payable/retirement gratuity/terminal leave, shall be:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Subsidy from National Government	40301010	P xxx	
Cash-Modified Disbursement System (MDS), Regular	10104040		P xxx

1.2. For calendar year 2019, KSU received a total of ₱272,455,687 Notice Cash Allocation from the DBM. As of December 31, 2019, the Cash – Modified Disbursement System, Regular account showed a balance of ₱4,224,511.31.

1.3. The Accountant informed the audit team that the balance represents unreleased checks and made an entry debiting the expense/asset account and crediting accounts payable. Upon verification of the General Ledger of the Cash – MDS, Regular account, there was no entry made to recognize the checks drawn against the MDS account contrary to Section 8 of Chapter 6 of the GAM, Vol. I on the Disbursement of Checks which states that, xxx. Checks issued shall be reported and recorded in the books of accounts whether released or unreleased to respective payees. xxx (underscoring ours)

1.4. The non-reporting and non-recording of the unreleased checks overstated the Cash – MDS Regular account. Even if the University accountant recorded the unreleased checks, adjusting the entries for unreleased checks at the end of accounting period only applies to commercial checks, since MDS accounts have no actual cash in the bank (Section 56 of Chapter 19 of the GAM, Vol. I). Further, after deducting the amount of the unreleased checks amounting to P3,036,164.28, there’s still an unused balance of P1,188,347.03. The non-reversion of the said total amount overstated the Cash and Cash Equivalent account.

- 1.5. We recommended that management instruct the University Accountant to strictly adhere to the pertinent provisions of the Government Accounting Manual and to make the necessary adjusting entry, to wit:**

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Accumulated Surplus	40301010	₱ 1,188,347.03	
Accounts Payable	20101010	3,036,164.28	
Cash-Modified Disbursement System (MDS), Regular	10104040		₱ 4,224,511.31

*Management's Comment*

- 1.6. Management instructed the University Accountant to record the adjusting entry to be incorporated in the First Quarter of CY 2020 Financial Reports and to henceforth adhere strictly to the pertinent provisions of the Government Accounting Manual.
- 2. The University failed to properly set up records and maintain general and subsidiary ledgers for all its Income Generating Projects (IGPs) contrary to Section 111 (1) of Presidential Decree (P.D.) No. 1445 and the Manual of Operations approved by the Board of Regents.**
- 2.1. Section 111 (1) of P.D. No. 1445 sets the basic guidelines for the keeping of accounts by government agencies, which states that, "The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government."
- 2.2. The University's approved Manual of Operations for IGP provides under Items No. 6 & 7 of Part V thereof, respectively states, "Record keeping shall be strictly enforced to all Project Leaders using the prescribed IGU forms." "A consolidated project reports/statement of operations must be submitted for crops and special project, the report has to be submitted at the end of the cropping period. Whereas, the project report on poultry, livestock, nursery, fishery and non-Agriculture based projects shall be submitted on a monthly basis."
- 2.3. Likewise, Appendix 5 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume II, also states, among others that, "The general ledger summarizes all transactions recorded in the GJ and special journal (e.g. CRJ, CDJ, CkDJ, etc.) xxx and (D) Controlling accounts in the GL shall be supported by details in the SLs."
- 2.4. Interview conducted with the newly designated IGP Director together with the University Accountant revealed that there were no ledgers maintained by the project manager for each income generating project. The projects are divided into two categories which are the non-agri based projects and the agri-based

projects. In the course of that conversation, they have decided to conduct an emergency meeting to address the issues concerning IGPs and gave their assurance to comply with all the records and the recording system in accordance with their own manual of operations for IGPs and the prescribed COA rules and regulations.

- 2.5. The subsidiary ledgers are the books of final entry containing the details or the breakdown of the balances of the controlling accounts appearing in the general ledger. Complete records as prescribed in the rules and regulations mentioned above, are necessary for an updated monitoring and evaluation of the University's IGPs and will serve as basis in making decisions and formulation of policies. Moreover, the Management will only be able to accurately determine the performance of the IGPs if the financial reports of every IGP are comprehensively prepared by the concerned offices on time.
- 2.6. The absence of complete financial records, particularly the general and subsidiary ledgers including the record on income and expenditures of each project precluded the Management from generating the IGPs financial statements and comprehensively evaluating their performance.
- 2.7. **We recommended and management agreed to instruct the officers concerned to maintain complete financial records and to prepare separate financial statements for each of the Income Generating Projects pursuant to existing rules and regulations.**

### *Gender and Development*

3. **In CY 2019, the KSU utilized the amount of P30,473,390.81 or 88.76% of the allocated amount of P34,331,086.00 for the implementation of planned GAD activities that addressed gender issues within the University in accordance with Joint Circular No. 2012-01 of the Philippine Commission on Women (PCW), Department of Budget and Management (DBM) and National Economic and Development Authority (NEDA).**

- 3.1. Joint Circular No. 2012-01 of the Philippine Commission on Women (PCW), Department of Budget and Management (DBM) and National Economic and Development Authority (NEDA) dated July 20, 2012 states that *Pursuant to the Magna Carta of Women (MCW) and the General Appropriations Act (GAA), all government departments, including their attached agencies, offices, bureaus, state universities and colleges (SUCs), government-owned and controlled corporations (GOCCs), local government units (LGUs) and other government instrumentalities shall formulate their annual GAD plans and budgets within the context of their mandates to mainstream gender perspectives in their policies, programs and projects. GAD Planning shall be integrated in the regular activities of the agencies, the cost of implementation of which shall be*

*at least five percent (5%) of their total budgets. The computation and utilization shall be implemented in accordance with the specific guidelines provided therein.*

- 3.2. In CY 2019, the GAD Office of the University formulated a GAD Plan to address the gender issues such as gender-responsive governance, protection and fulfillment of women's human rights and promotion of women's economic empowerment.
- 3.3. As shown in year-end accomplishment report for the year, various seminar/workshops relative to Gender Sensitivity Orientations were conducted and facilitated the holding of several development trainings for the faculty and employees of KSU. Of the total budget, the amount of P30,473,390.81 was utilized on the following GAD activities:

<b>Particulars (GAD Activity)</b>	<b>Amount</b>
Conduct training on journalism (Gender Fair Media)	₱ 181,681.09
Conduct of GAD seminars/trainings and/or fora to old and new students of each campus to the PTCA of the KSU Laboratory High School (continuing activity) distribute GAD IEC materials to students	123,610.72
Conduct GAD seminars to PTCA members and students (continuing activity) distribute GAD IEC materials to PTCA members	
Conduct GAD responsive leadership training for student leaders	191,909.36
Conduct GM training workshop appropriate for each sector in the University to enhance professional/occupational skills in integrating GAD in their field of specialization	1,128,996.51
Regular coordination and meetings of GAD-TWG and emergency meeting when necessary	32,790.31
Conduct of GAD literacy and capacity building seminars/trainings to personnel both old/new	164,885.00
Conduct of summits/for a and other events such as: Women's month, International Women's Day, Cordillera Month, International Human Rights Day, etc.	3,701,858.62
Inclusion of GAD page in the website of the University and Earthline Publication	66,000.00
Procurement of GAD reading materials and multimedia materials for the University	31,049.00
Disseminate/ Participation in various local, national, international activities to GFPS	34,356.00
Series of seminars about sexual harassment laws, VAWC laws and other related laws	39,145.00
Continuous capability building for the KSU-GFPS-TWG to enhance GAD mainstreaming in the college through training series on: GAD analysis, GAD tools, GAD Planning and Budget,	510,500.00

<b>Particulars (GAD Activity)</b>	<b>Amount</b>
GAD Monitoring and Evaluation	
Setting up of permanent signboards for physically challenged, pregnant women, senior citizen clients in different colleges/offices in the University	30,200.00
Trainings for frontline service providers in catering to physically challenged, pregnant women, senior citizen clients	155,000.00
Maintenance of comfort rooms in all campuses	446,729.71
Data gathering and sex-disaggregated data	33,681.82
Students Grant-Aid Program for Poverty Alleviation	116,330.00
Construction of facilities/buildings that could cater to needs of workers and clients	23,484,667.67
<b>TOTAL</b>	<b>₱ 30,473,390.81</b>

- 3.4. Per evaluation of the Audit Team, the above accomplishments were all GAD-related activities.
- 3.5. We commended Management in its effort to address the identified gender issues, design a training program towards women empowerment and gender equality, pursue programs/projects intended to uplift the status of women employees in the workplace and allot funds for the formulation and implementation of GAD Plan for the benefit of all employees and stakeholders. We recommended and the Management agreed to continue its compliance with the laws, rules and regulations on GAD.

#### ***Compliance with Tax Laws***

4. **In CY 2019, Management remitted taxes withheld from salaries and benefits of employees, purchases of materials and services, contract and other related procurements to the Bureau of Internal Revenue amounting to ₱ 19,330,534.23.**
- 4.1. BIR Revenue Regulations (RR) No. 1-2013 dated January 23, 2013 provides that *“all tax returns must be electronically filed (e-filed) following due dates prescribed in the table under this Section. Payment of the tax due must also be made on the same day the return is e-filed by accomplishing online the Tax Remittance Advice (TRA).”*
- 4.2. DOF-DBM-COA Joint Circular No. 1-2000 dated January 3, 2000 and Joint Circular No. 1-2000A dated July 31, 2001 require the remittance of taxes withheld from employees and government suppliers.
- 4.3. For CY 2019, the University withheld taxes in the amount totaling ₱22,016,549.10 and remitted the amount of ₱19,330,534.23 with details presented below:

<i>Particulars</i>	<i>Withheld</i>	<i>Remitted</i>	<i>Balance</i>
Unremitted balance, 12/31/2018	₱ 3,016,123.68		
January 2019	914,918.36	₱ 2,362,404.33	₱ 1,568,637.71
February 2019	915,536.11	870,814.40	1,613,359.42
March 2019	1,244,978.54	915,580.14	1,942,757.82
April 2019	1,273,142.49	1,107,507.90	2,108,392.41
May 2019	1,613,446.52	1,303,514.77	2,418,324.16
June 2019	1,242,880.72	1,508,480.05	2,152,724.83
July 2019	1,793,202.33	1,253,662.06	2,692,265.10
August 2019	1,065,100.64	1,206,766.06	2,550,599.68
September 2019	1,660,364.70	1,183,066.45	3,027,897.93
October 2019	1,271,462.65	2,669,008.94	1,630,351.64
November 2019	2,257,403.16	1,269,661.10	2,618,093.70
December 2019	3,747,989.20	3,680,068.03	2,686,014.87
<b>Total</b>	<b>₱ 22,016,549.10</b>	<b>₱ 19,330,534.23</b>	<b>₱ 2,686,014.87</b>

### ***Compliance with Government Service Insurance System Laws***

#### **5. The University withheld the Government Service Insurance System (GSIS) premium contribution of employees and remitted the same to the GSIS together with the government share, the ECC premiums and loans due to GSIS.**

5.1. Section 6 of the Government Service Insurance Act of 1997 (RA No. 8291) provides that, *“The employer shall report to the GSIS the names of all its employees, their corresponding employment status, positions, salaries and such other pertinent information, including subsequent changes therein, if any, as may be required by the GSIS; the employer shall deduct each month from the monthly salary or compensation of each employee the contribution payable by him in accordance with the schedule prescribed in the rules and regulations implementing this Act”*.

5.2. For CY 2019, the University withheld premiums and other contributions totaling ₱23,414,944.29 and remitted the total amount of ₱23,414,504.80 to the GSIS, with the following breakdown:

<i>Particulars</i>	<i>Withheld</i>	<i>Remitted</i>	<i>Balance</i>
Unremitted balance, 12/31/2018	₱ 984,341.29	₱ 708,665.89	₱ 275,675.40
January 2019	1,798,809.40	1,798,809.40	275,675.40
February 2019	1,788,730.06	1,788,730.06	275,675.40
March 2019	1,789,099.72	1,789,099.72	275,675.40
April 2019	2,129,754.62	1,808,138.16	597,291.86
May 2019	1,889,820.18	2,211,436.64	275,675.40
June 2019	1,874,427.07	1,874,427.07	275,675.40
July 2019	1,874,578.39	1,874,578.39	275,675.40
August 2019	1,856,470.40	1,856,470.40	275,675.40
September 2019	1,836,755.60	1,826,433.50	285,997.50
October 2019	1,854,724.70	2,100,760.75	39,961.45
November 2019	1,813,929.31	1,966.68	1,851,924.08
December 2019	1,923,503.55	3,774,988.14	439.49

<i>Particulars</i>	<i>Withheld</i>	<i>Remitted</i>	<i>Balance</i>
<b>Total</b>	<b>₱ 23,414,944.29</b>	<b>₱ 23,414,504.80</b>	<b>₱ 439.49</b>

***Compliance with the Home Development Mutual Fund Law of 2009/Pag-IBIG Fund***

**6. The University withheld the Home Development Mutual Fund (HDMF)/Pag-IBIG premium contribution of employees and remitted the same to the HDMF together with the government share.**

6.1. Section 7 and Section 23 of R.A. 9679, An Act Further Strengthening the Home Development Mutual Fund, and For Other Purposes provides that:

*“Section 7. Fund Generation and Contributions. – The money of the Fund shall be generated by the provident savings that the covered employees shall contribute for the purpose every month, and the equal amounts that their respective employers shall mandatorily contribute. xxx”*

*Section 23. Remittance of Contributions. – (a) It shall be the duty of every employer, private or public, to set aside and remit the contributions required under this Act in accordance with a mechanism determined by the Board of Trustees. (b) Every employer required to set aside and remit such contributions as prescribed under this Act shall be liable for their payment, and nonpayment shall further subject the employer to a penalty of three percent (3%) per month of the amounts payable from the date the contributions fall due until paid. xxx”*

6.2. For CY 2019, the University withheld premiums and other contributions totaling ₱5,994,776.65 and remitted the total amount of ₱5,994,776.65 to the HDMF/Pag-IBIG with details shown below:

<i>Particulars</i>	<i>Withheld</i>	<i>Remitted</i>	<i>Balance</i>
Unremitted balance, 12/31/2018	₱ 26,208.50	₱ 499.22	₱ 25,709.28
January 2019	493,472.24	493,472.24	25,709.28
February 2019	524,604.32	524,604.32	25,709.28
March 2019	458,899.00	471,810.86	12,797.42
April 2019	490,958.88	490,709.56	13,046.74
May 2019	536,224.37	536,473.69	12,797.42
June 2019	501,584.98	501,584.98	12,797.42
July 2019	507,919.12	507,919.12	12,797.42
August 2019	485,499.24	485,499.24	12,797.42
September 2019	490,161.17	487,867.37	15,091.22
October 2019	483,785.72	512,674.76	(13,797.82)
November 2019	493,164.21	492,205.45	(12,839.06)
December 2019	502,294.90	489,455.84	0.00
<b>Total</b>	<b>₱ 5,994,776.65</b>	<b>₱ 5,994,776.65</b>	<b>₱ 0.00</b>

***Compliance with the National Health Insurance Act of 2013 (RA 10606)/Philippine Health Insurance Corporation (PhilHealth) Law***

**7. The University withheld the PhilHealth premium contribution of employees and remitted the same to the Philippine Health Insurance Corporation together with the government share.**

7.1. Section 28 of RA 10606, The National Insurance Act of 2013, An Act Amending Republic Act No. 7875, Otherwise Known as the “National Health Insurance Act of 1995” as Amended and For Other Purposes provides in part that, “*All members who can afford to pay shall contribute to the Fund, in accordance with a reasonable, equitable and progressive contribution schedule to be determined by the Corporation on the basis of applicable actuarial studies xxx*”

7.2. For CY 2019, the University withheld premiums totaling ₱1,285,109.50 and remitted the total amount of ₱1,285,109.50 with the following breakdown:

<i>Particulars</i>	<i>Withheld</i>	<i>Remitted</i>	<i>Balance</i>
Unremitted balance, 12/31/2018	₱ 22,725.46	₱ 0.00	₱ 22,725.46
January 2019	102,337.76	102,337.75	22,725.47
February 2019	102,404.41	102,404.41	22,725.47
March 2019	101,450.55	0.00	124,176.02
April 2019	113,733.12	101,793.37	136,115.77
May 2019	105,187.18	218,577.15	22,725.80
June 2019	104,891.82	104,891.46	22,726.16
July 2019	104,341.46	104,341.46	22,726.16
August 2019	103,791.46	103,791.46	22,726.16
September 2019	104,483.03	102,906.03	24,303.16
October 2019	105,900.43	130,203.59	0.00
November 2019	103,709.12	0.00	103,709.12
December 2019	110,153.70	213,862.82	0.00
<b>Total</b>	<b>₱ 1,285,109.50</b>	<b>₱ 1,285,109.50</b>	<b>₱ 0.00</b>

***Suspensions, Disallowances and Charges***

**8. The Statement of Audit Suspensions, Disallowances and Charges (SASDC) which summarizes the total suspensions, disallowances and charges as of December 31, 2019 showed a balance of ₱2,853,404.76.**

8.1. 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.



- 8.2. Statement of the Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2019 shows a total suspensions and disallowances in the amount of ₱0.00 and ₱2,853,404.76, respectively, details are as follows:

	Suspensions	Disallowances
Beginning Balance, 1/1/2019	₱ 0.00	₱ 2,853,404.76
Add: January to December, 2019	0.00	0.00
Total	<u>₱ 0.00</u>	<u>₱ 2,853,404.76</u>
Less: Settlements made	0.00	0.00
Ending Balance, 12/31/2019	<u>₱ 0.00</u>	<u>₱ 2,853,404.76</u>

- 8.3. **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.**
- 8.4. Management agreed with the Audit Team’s recommendation and assured that those that are not under appeal will be settled as soon as possible.