

Part II – Observations and Recommendations

Financial and Compliance

1. **The balance of the Accounts Receivable included the amount of ₱6,623,858.24 which were dormant or long outstanding receivables resulting in the unreliability of the account balance. Also, allowing receivables to remain uncollected for any given period deprived the University of additional funds for its operations.**

1.1 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.

1.2 On the procedures to write-off dormant accounts, Section 8 of the same COA Circular provides that:

“The head of the government entity shall file the request for authority to write-off dormant receivable accounts, unliquidated cash advances, and fund transfers to the COA Audit Team Leader and/or Supervising Auditor (SA). No filing fee is required.

The request shall be supported by the following documents:

- a. Schedule of dormant accounts by accountable officer/debtor/government entity and by account, certified by the accountant and approved by the Head of the government entity.
- b. Certified relevant documents validating the existence of the conditions, as applicable, such as:

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b.6 Proof of exhaustion of all remedies to collect the receivables and demand to liquidate the cash advances and fund transfers, such as but not limited to copies of served or returned demand letters;

b.7 Certification by the responsible officials of the entity to effect that there are no records/documents available to validate claim; and

b.8 Other justifications, like in the case of request for write-off due to loss of documents, the circumstances of the loss should be stated in the letter-request”

- 1.3 Analysis of the Accounts Receivable account disclosed that Internally Generated Income (IGI) Fund, amounting to ₱6,623,858.24 which constitute 30.08% of the account balance, remained outstanding in the books of accounts for more than ten years, to wit:

Accounts Receivable	Aging			Total
	0-5 years	Over 5 years	Over 10 years	
IGI	8,069,885.81	7,328,011.78	6,623,858.24	22,021,755.83
Percentage	36.64%	33.28%	30.08%	100%

The dormant and long-outstanding receivables which are no longer collectible should be requested for write-off pursuant to COA Circular No. 2016-005.

- 1.4 Interview with the university accountant disclosed that most of these accounts were from students that were no longer enrolled in the university, some dropped out of school without paying their obligations and some were unpaid balances of students that have already graduated. One of the reasons of the increase in the unpaid balances of the students was due to CHED Memorandum Order No. 02, series of 2010 dated January 22, 2010, which provides that “HEIs shall extend utmost flexibility in the implementation of the “No permit, no examination” Policy they are adopting, if any, and any such policy/ies that prohibit/s students from taking their periodic or final examination due to unpaid school accounts.” Another reason was, students who graduated with unpaid balances didn’t come back to get their credentials or they were allowed to get their credentials by signing a promissory note. The whereabouts of these former students were unknown because the address indicated in their school records was incomplete.
- 1.5 The non-collection of a considerable amount of receivables deprived the agency of additional funds while the presence of dormant receivables affects the accuracy of the Accounts Receivable account and may affect the fairness of presentation of the financial statements of the university.
- 1.6 We recommended that Management intensify its efforts to collect the outstanding receivables to obtain additional funds for the University.**
- 1.7 We also recommended that Management request for write-off the account balances which were considered dormant, or determined to be non-collectable, pursuant to COA Circular No. 2016-005.**

Management Comment:

- 1.8 The Management already issued Demand Letters to students with unsettled/unpaid fees to the University that were dormant for more than ten (10) years, but majority can no longer be located, while the others did not respond. It is for these reasons that the Management will request for the write-

off of the account balances which are considered dormant, or determined to be non-collectible pursuant to COA Circular No. 2016-005.

2. Past due loans in the total amount of ₱1,502,435.50 under the Student Financial Assistance Program (STUFAP) and Student Assistance Fund for Education for Loan (SAFE Loan) remained uncollected due to failure of management to exhaust all means to collect the same, contrary to CHED Memorandum Order No. 4, series of 2004, and CHED Memorandum Order No. 25, series of 2008.

2.1 Article XIV, Section 2 (3) of the Philippine Constitution mandates the State to establish and maintain a system of scholarship grants, student loan programs, subsidies and other incentives which shall be available to deserving students both private and public schools, especially the underprivileged.

2.2 The Commission on Higher Education (CHED) pursued the goal to broaden the access of deserving and qualified senior students, to the student loan schemes intended to contribute to the long term objectives of enhancing the nation's human capital, competitiveness and economic development.

2.3 CHED Memorandum Order No. 4, series of 2004 and CHED Memorandum No. 25, series of 2008 stipulates the guidelines for the implementation of STUFAP and SAFE loan programs. These programs cater to students in financial need who are in their 3rd, 4th, 5th or graduating year of study. The loan grant may be used for tuition and other school fees, books and course projects, thesis writing, board and lodging, graduation fees and other valid related educational expenses. Qualified loan grantees can borrow as much as four thousand (₱4,000.00) to eight thousand pesos (₱8,000.00), depending on individual circumstances and requirements. The loans granted to students shall be interest free and will be paid within two to ten years after graduation.

2.4 The loan collections may have been affected by non-adherence to certain provisions of CHED Memorandum Order No. 4 series of 2004, and CHED Memorandum Order No. 25 series of 2008, both of which requires the execution of a loan agreement between the borrower/s and the HEI, stated as follows:

“Draw corresponding duly notarized promissory note for repayment within 2 to five years after graduation, duly notarized by the student borrower when grant of loan is awarded”; (CHED Memo Order No. 25 s. 2008)

“Enter into loan agreement with the borrower.” (CHED Memo Order No. 04 s. 2004)

2.5 As of December 31, 2020, the Loans Receivable – Others account of the University has a balance of ₱1,499,286.50, of which ₱1,488,465.50 or 99.28%

of the total loan balance represents overdue receivables, ranging from one to twelve years, as detailed below:

Year Granted	Amount	Number of Students	Years Outstanding	Percentage
2004	₱ 226,758.00	190	12	15.12%
2006	45,765.00	31	10	3.05%
2008	697,531.00	182	8	46.52%
2009	65,015.00	15	7	4.34%
2010	103,898.00	19	6	6.93%
2011	67,435.00	9	5	4.50%
2012	68,000.00	9	4	4.54%
2013	93,063.50	13	3	6.21%
2014	89,000.00	16	2	5.94%
2015	32,000.00	4	1	2.13%
2016	10,821.00	2	0	0.72%
TOTAL	₱ 1,499,286.50	490		100.00%
Total Amount Overdue	₱ 1,488,465.50	488		99.28%

- 2.6 Review of the collections made disclosed that most of the receivables already due for collection were not paid by the student grantees, contrary to the above mentioned guidelines. The outstanding balance per book is indicative that the University has not collected the loan repayments from the students, despite the fact, that fourteen years had already passed since the supposed graduation of the first borrowers. Upon inquiry with the University Accountant, the reason why they cannot collect these loan balances was that, they can no longer locate these students, and the co-makers/co-borrowers in the promissory note they have executed. He also added, that not all the promissory notes executed have co-makers/co-borrowers.
- 2.7 The Student Services and Admission Scholarship office, now called Student Development and Placement Services, has (i) no record to show that repayment is being diligently and regularly undertaken, (ii) no updated records of the student borrowers as to their addresses, and (iii) no updated reports submitted to CHED. There were no demand letters issued by the unit to the grantees.
- 2.8 Management likewise failed to maintain separate accounting records for the program that will be subjected to periodic monitoring by CHED and/or COA Audit Teams. It also failed to monitor or track the whereabouts of the scholars/grantees after graduation in order that the students properly comply with their obligation to refund the loan at the intended period of repayment.
- 2.9 As a result, the government was deprived of funds that could have been channeled to similarly beneficial programs as the implementation of these programs was already stopped by the University. Also, according to the

accountant, CHED RO has advised the University thru a letter to return the unused balance including interest earned.

2.10 This observation was embodied in the Annual Audit Report (AAR) of the University for Calendar Year (CY) 2013. However, the recommendations were not implemented by Management resulting in a very minimal loan repayment. Our post-audit of Official Receipts (ORs) showed that only five grantees paid the amount of seventeen thousand nine hundred seventy pesos (P17,970.00) for CY 2020, hence, this finding was reiterated.

2.11 We recommended that management strictly observe the guidelines set in CHED Memorandum Order No. 4, series of 2004, and CHED Memorandum Order No. 25, series of 2008; and enforce the provisions contained in the loan agreement/promissory note signed by the student-borrowers in order to collect the overdue accounts.

2.12 We also recommended that management apply all remedies in order to collect past due accounts especially those granted way back in 2004 and onwards, such as but not limited to the issuance of demand letters not only to the student-borrowers but, also to the identified co-makers.

Management Comment:

2.13 Management will issue demand letters to the student grantees/borrowers and/or co-makers/co-borrowers.

3. The delayed preparation/submission of the bank reconciliation statements by the Accountant was not in accordance with Sections 4 & 5, Chapter 21 of the Government Accounting Manual (GAM) for National Government Agencies, Volume I, which may result in non-detection of errors or non-adjustment of reconciling items, if any, on time.

3.1 Sections 4 and 5 of Chapter 21 of the Government Accounting Manual (GAM), Volume I, for NGAs provides that the monthly BRS shall be prepared by the Chief Accountant/designated staff for each of the bank accounts maintained by the agency/entity using the Adjusted Balance Method. The Chief Accountant/Designated Staff shall within ten days from receipt of the monthly Bank Statement together with the paid checks, original copies of Debit Memoranda (DM)/Credit Memoranda (CM) from the GSB, reconcile the BS with the GL and prepare the BRS.

3.2 The monthly bank reconciliation statements have not been submitted on time. As of December 31, 2020, bank reconciliation statements are yet to be submitted as follows:

Fund	Account Name	Bank Account No.	Late/ Not Submitted
Regular Agency Fund	MDS	2105-9001-15	October to December 2020
Internally Generated Income	KSU-IGI	1052-1119-82	October to December 2020
Internally Generated Income	Student Mutual Aid Program	1052-1080-190	October to December 2020
Internally Generated Income	DBP KASC Infra	0555-031101-030	October to December 2020
Business Type Income	KSU-Business Affairs Office	1052-1076-91	October to December 2020
Trust Fund	KSU-Trust	1052-1063-26	October to December 2020
Trust Fund	KSU-TES	1052-1128-22	October to December 2020
Trust Fund	SHS -VP	1052-1114-78	October to December 2020
Trust Fund	STUFAP	0555-005322-080	October to December 2020

- 3.3 Upon inquiry, the Accountant informed the audit team that the main reason for the delay was due to the bank's late furnishing of bank statements. For this reason, the audit team conferred with the bank manager to find resolution on the matter. In that informal meeting, the team was informed about the newly installed system of the bank called "We Access" wherein such technology requires enrollment of duly authorized agency personnel to provide real time access to government depository accounts. This would in turn cure the late transmittal of bank statements (hard copies) to different agencies, because authorized accountable officers such as the Agency Accountant can already view their accounts through the internet without having to wait for the hard copies of bank statements.
- 3.4 While the audit team accepts the justification for now pending the Agency's enrollment to the "We Access", still it was emphasized the necessity of the bank reconciliation statement to be prepared on time. The delay in the preparation thereof, may result in non-detection of errors or non-adjustment of reconciling items, if any, on time.
- 3.5 We recommended that management instruct the University Accountant to immediately process the enrollment to the bank's "We Access" system and to prepare and submit on time the monthly Bank Reconciliation Statements for all bank accounts maintained by the University with the depository banks.**

Management Comment:

- 3.6 Management have already applied for “We Access” for all of their accounts and they can now access their bank accounts thru the internet but two of their bank accounts were not yet enrolled because of some bank issues especially the MDS account.
- 4. Petty Cash Fund (PCF) was used for the payment of regular expenses, contrary to the pertinent provisions of COA Circular No. 97-002; thus, taxes that should have been withheld from such expenditures were foregone. In addition, charges to the PCF were not supported with complete documentation, as required under Section 4(6) of PD 1445 and COA Circular No. 2012-001 dated June 14, 2012; hence, for suspension in audit.**
- 4.1 Section 4.3.1 of COA Circular No. 97-002 states that, “The cash advance shall be sufficient for the recurring expenses of the agency for one month. The AO may request replenishment of the cash advance when the disbursements reach at least 75%, or as the need requires, by submitting a replenishment voucher with all supporting documents duly summarized in a report of disbursement.
- 4.2 Section 4.3.2 of the same circular states that, “The cash advance should not be used for payment of regular expenses, such as rentals, subscriptions, light and water and the like. Payments out of the cash advance shall be allowed only for amounts not exceeding ₱15,000.00 for each transaction, except when a higher amount is allowed by law and/or specific authority by the Commission on Audit. Splitting of transactions to avoid exceeding the ceiling shall not be allowed.”
- 4.3 Section 4(6) of PD 1445 or the Government Auditing Code of the Philippines states that claims against government funds shall be supported with complete documentation.
- 4.4 COA Circular No. 2012-001 dated June 14, 2012 was issued to prescribe the revised guidelines and documentary requirements for common government transactions. Section 1.2.2 of the said circular provides the required documentation in replenishing the Petty Cash Fund, such as:
- a. Petty Cash Replenishment Report
 - b. Approved Purchase Request with Certificate of Emergency Purchase, if necessary
 - c. Bills, receipts, sales invoice
 - d. Certificate of Inspection and Acceptance
 - e. Report of Waste Materials in case of replacement/repair
 - f. Approved Trip ticket, for gasoline expenses

- g. Canvass from at least three suppliers for purchases involving P1,000 and above, except for purchases made while on official travel
 - h. Summary/Abstract of Canvass
 - i. Petty Cash Vouchers duly accomplished and signed
- 4.5 Section 124 of PD 1445 provides that it shall be the primary responsibility of the head of the agency to install, implement and monitor an adequate system of internal control.
- 4.6 Review of the replenished expenses paid out of PCF for CY 2020 disclosed the following:
- a. Numerous meals and snacks and groceries totaling ₱122,061.50 were charged to Representation Expense and Other Supplies and Materials Expense accounts out of Petty Cash Fund for activities which were not supported with activity/program designs. (Annex A)
 - b. Expenses with ₱1,000.00 and above totaling ₱240,544.20 were not supported with canvass from at least three suppliers. (Annex B)
 - c. Expenses totaling ₱8,075.00 for repairs and replacement of parts were not supported with the Report of Waste Materials. (Annex C)
 - d. Recurring and regular expenses totaling ₱159,965.20 were charged to the PCF. (Annex D)
 - e. It was also observed that the Petty Cash Vouchers were not properly filled up by the petty cash custodian especially the PCV number portion.
- 4.7 Meals and snacks may be served during meetings, conferences and other office activities but these should be carefully planned and supported with budget, board resolutions, agenda for the meetings and conferences, activity design/proposal for office activities, attendance sheets, minutes of meetings/conferences and brief post-activity reports, and these shall be duly approved by authorized officials.
- 4.8 Meals and snacks provided during meetings and other office activities shall be limited to necessary and important activities only. Moreover, meals provided during conduct of inspection and repair works, including the rendition of overtime work, are regular activities inherent in the duties and responsibilities of the personnel concerned.
- 4.9 The concerned officers and employees were able to charge, or reimburse such amount and type of expenses despite the absence of policies restricting or limiting the claims for food, meals and other similar expenses. As a result, the university incurred expenses which unduly decreased the University's funds.

- 4.10 Repairs of vehicles and spare parts needed were easily bought using the petty cash fund. The Petty Cash Vouchers were supported only with Official Receipts/Sales Invoices and Purchase Requests. Other required documents such as Certificate of Emergency Purchase, Waste Materials Report and Certificate of Inspection and Acceptance were not attached.
- 4.11 Other regular expenses were also charged to the PCF which resulted in incomplete documentation. Purchases of items categorized as Other Supplies and Materials showed that they were not emergency in nature and resulted in incomplete documentation of government transactions.
- 4.12 Further, the purchase of common use supplies shall be properly planned. All government agencies shall procure their common-use supplies directly from the DBM-PS without need of public bidding.
- 4.13 Taxes shall supposedly be withheld for purchases of supplies and materials however, procuring them on piecemeal or reimbursement basis thru PCF deprived the government of such taxes.

4.14 We recommended and management agreed to:

- 4.14.1 Refrain from charging representation expense to PCF, and to see to it that charging of meals and snacks to its proper account are supported with complete documentation to justify the claim.**
- 4.15.2 Institute stricter policies pertaining to reimbursement or the charging of meals, snacks and other representation costs to the account of the University especially by those officers already receiving Representation Allowances. The head of the agency shall ensure that there is a system of internal control and it should be adequate to ensure proper disbursements of funds.**
- 4.15.3 Discontinue the payment of regular expenses out of the PCF but instead issue checks or pay thru ADA to the concerned payees. Such shall be included in the normal purchases of the University made following the prescribed procurement rules and procedures of RA 9184.**
- 4.15.4 Instruct the petty cash custodian to ensure that payments out of the PCF are properly and completely supported with the required documents.**
- 4.15.5 Decrease the amount of the PCF sufficient for one month transaction to discourage charging of regular expenses and those which are not considered petty.**

Gender and Development

5. In CY 2020, the KSU utilized the amount of ₱22,751,097.84 or 93.75% of the allocated amount of ₱24,266,686.43 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).

5.1 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.*

5.2 In CY 2020, 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.

5.3 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 ₱22,751,097.84 was utilized on the following GAD activities:

Particulars (GAD Activity)	Amount
Distribute EIC materials to PTCA members on how women could help during the COVID-19 Pandemic.	₱ 131,610.00
Setting up of permanent hand washing facility for physically challenged, pregnant women, students and employees.	175,271.95
Call for research proposals related to GAD	228,180.48
Regular coordination and meetings of GAD-TWG and emergency meeting when necessary	66,600.00

Particulars (GAD Activity)	Amount
Development of GAD database on GAD related research and extension activities	160,000.00
Participation to summits/fora and other events such as: Women's month, International Women's Day, Cordillera Month, International Human Rights Day, etc.	159,085.36
Dissemination of GAD related information in strategic location within the university	13,000.00
Procurement of reading materials and multimedia materials related to GAD	25,500.00
Integration of gender perspectives in the syllabi of teachers	182,923.32
Construction of facilities/buildings: Construction of Ladies' Dormitory-Rizal Campus amounting to ₱22,531,296.46. HGDG Score - 18.5%, % attributable to GAD 92.5%	20,841,449.23
Mass Production of Ethanol: KSU's Response to COVID-19 Pandemic amounting to 1,589,017.50 HGDG Score: 14.67% Percent attributable to GAD: 73.35%	444,762.50
Production of Calamansi disinfectant soap to Heal as One KSU's Response to COVID-19 Pandemic amounting to ₱272,376.50 HGDG Score: 14.67% Percent attributable to GAD 73.35%	87,307.84
Calamansi cookies as immune booster: KSU's response to COVID-19 pandemic amounting to ₱1,074,150.00 HGDG Score: 14.67%. Percent attributable to GAD: 73.35%	235,407.16
TOTAL	₱ 22,751,097.84

- 5.4 Per evaluation of the Audit Team, the above accomplishments were all GAD-related activities.
- 5.5 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 have recommended and the Management agreed to continue its compliance with the laws, rules and regulations on GAD.

Compliance with Tax Laws

6. In CY 2020, 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 ₱ 27,120,170.85.

6.1 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).”*

6.2 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.

6.3 For CY 2020, the University withheld taxes in the amount totaling ₱32,766,364.08 and remitted the amount of ₱27,120,170.85 with details presented below:

<i>Particulars</i>	<i>Withheld</i>	<i>Remitted</i>	<i>Balance</i>
Unremitted balance, 12/31/2019	₱ 2,686,014.87		₱ 2,686,014.87
January 2020	1,183,291.77	₱ 2,630,613.56	1,238,693.08
February 2020	1,120,191.10	1,027,626.88	1,331,257.30
March 2020	2,476,227.98	987,241.66	2,820,243.62
April 2020	1,156,361.65	-	3,976,605.27
May 2020	1,731,625.45	3,939,073.08	1,769,157.64
June 2020	1,618,354.04	1,734,634.32	1,652,877.36
July 2020	3,151,692.31	163,856.13	4,640,713.54
August 2020	1,573,192.48	97,647.81	6,116,258.21
September 2020	1,594,165.56	107,428.23	7,602,995.54
October 2020	1,635,076.46	7,546,673.60	1,691,398.40
November 2020	3,529,601.26	1,582,537.92	3,638,461.74
December 2020	9,310,569.15	7,302,837.66	5,646,193.23
Total	₱ 32,766,364.08	₱ 27,120,170.85	₱ 5,646,193.23

Compliance with Government Service Insurance System Laws

7. 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.

7.1 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”.

- 7.1 For CY 2020, the University withheld premiums and other contributions totaling ₱22,473,690.94 and remitted the total amount of ₱22,473,690.94 to the GSIS, with the following breakdown:

<i>Particulars</i>	<i>Withheld</i>	<i>Remitted</i>	<i>Balance</i>
Unremitted balance, 12/31/2019	₱ 688,953.86	₱ 688,514.37	₱ 439.49
January 2020	1,904,192.29	-	1,904,631.78
February 2020	1,864,037.19	3,768,229.48	439.49
March 2020	2,035,601.10	1,916,784.75	119,255.84
April 2020	1,974,451.51	1,953,075.38	140,631.97
May 2020	1,799,446.36	1,910,253.01	29,825.32
June 2020	1,947,715.38	1,949,696.80	27,843.90
July 2020	2,415,139.32	6,435.86	2,436,547.36
August 2020	1,923,022.72	3,833,611.65	525,958.43
September 2020	1,937,139.97	1,929,145.26	533,953.14
October 2020	1,979,224.92	1,996,845.25	516,332.81
November 2020	990,720.92	1,469,624.84	37,428.89
December 2020	1,014,045.40	1,051,474.29	-
Total	₱ 22,473,690.94	₱ 22,473,690.94	₱ 0.00

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

- 8. 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.**

- 8.1 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”

- 8.2 For CY 2019, the University withheld premiums and other contributions totaling ₱6,184,013.06 and remitted the total amount of ₱6,184,013.06 to the HDMF/Pag-IBIG with details shown below:

<i>Particulars</i>	<i>Withheld</i>	<i>Remitted</i>	<i>Balance</i>
Unremitted balance, 12/31/2019	₱ 399.22	₱ 399.22	₱ 439.49
January 2020	506,024.68	500,055.86	6,408.31
February 2020	530,320.26	530,320.26	6,408.31
March 2020	510,810.75	508,441.88	8,777.18
April 2020	527,605.60	529,174.47	7,208.31
May 2020	517,670.14	517,670.14	7,208.31
June 2020	526,088.99	526,088.99	7,208.31
July 2020	509,857.24	509,857.24	7,208.31
August 2020	504,497.62	504,497.62	7,208.31
September 2020	516,239.33	516,239.33	7,208.31
October 2020	516,290.33	516,290.33	7,208.31
November 2020	510,822.53	509,107.88	8,922.96
December 2020	507,386.37	515,869.84	439.49
Total	₱ 6,184,013.06	₱ 6,184,013.06	₱ 0.00

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

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

- 9.1 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”*

- 9.2 For CY 2020, the University withheld premiums totaling ₱ 1,670,925.01 and remitted the total amount of ₱1,670,925.01 with the following breakdown:

<i>Particulars</i>	<i>Withheld</i>	<i>Remitted</i>	<i>Balance</i>
Unremitted balance, 12/31/2019			
January 2020	₱ 132,422.54	₱ 132,422.54	₱ 0.00
February 2020	131,860.74	-	131,860.74
March 2020	147,568.56	278,693.45	735.85
April 2020	137,215.61	136,848.19	1,103.27
May 2020	136,315.61	135,948.19	1,470.69

<i>Particulars</i>	<i>Withheld</i>	<i>Remitted</i>	<i>Balance</i>
June 2020	169,683.37	169,315.74	1,838.32
July 2020	137,423.32	139,260.44	1.20
August 2020	133,306.01	133,306.01	1.20
September 2020	134,775.69	134,775.69	1.20
October 2020	134,775.69	134,775.69	1.20
November 2020	136,637.97	135,168.29	1,470.88
December 2020	138,939.90	140,410.78	0.00
Total	₱ 1,670,925.01	₱ 1,670,925.01	₱ 0.00

Suspensions, Disallowances and Charges

10. The Statement of Audit Suspensions, Disallowances and Charges (SASDC) which summarizes the total suspensions, disallowances and charges as of December 31, 2020 showed a balance of ₱2,557,924.74.

10.1 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.

10.2 Statement of the Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2020 shows a total suspensions and disallowances in the amount of ₱0.00 and ₱2,557,924.74, respectively, details are as follows:

	Suspensions	Disallowances
Beginning Balance, 1/1/2020	₱ 0.00	₱ 2,853,404.76
Add: January to December, 2020	0.00	0.00
Total	₱ 0.00	₱ 2,853,404.76
Less: Settlements made	0.00	295,480.02
Ending Balance, 12/31/2020	₱ 0.00	₱ 2,557,924.74

The ₱2,557,924.74 disallowed balance includes the amount of ₱990,000.00 which was already issued a Notice of Finality of Decision and recorded in the books of account of the University.

10.3 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.

10.4 Management agreed with the Audit Team's recommendation and assured that those that are not under appeal will be settled as soon as possible.