

EXECUTIVE SUMMARY

A. Introduction

The Technology Application and Promotion Institute (TAPI) created by virtue of Executive Order No. 128 dated 30 January 1987 is one (1) of Department of Science and Technology's (DOST) service agencies. On April 28, 1992, TAPI's function was expanded by virtue of Republic Act No. 7459, otherwise known as the "Inventors and Invention Incentives Act of the Philippines". The functions of the Institute are as follows:

- 1) Serve as the implementing arm of the DOST in promoting commercialization of technologies and in marketing the services of the other operating units of the Department;
- 2) Undertake contract research particularly at the pilot plant and semi-commercial stage;
- 3) Provide technical consultancy including engineering design services, patenting and licensing services;
- 4) Provide grants and venture financing for new and emerging projects;
- 5) Administer the Invention Development Assistance Fund (IDAF) for the initial experiments and prototype development and other invention-related activities;
- 6) Assist technologies, inventors, and researchers avail of the laboratories and other facilities of the Research and Development Institutes including the DOST Regional Offices and other government agencies, offices, and instrumentalities; and
- 7) Accredite and recognize inventor organizations throughout their activities.

The Institute is headed by Director Edgar I. Garcia, and has four (4) operating divisions, namely: (i) Technology Information and Promotion Division (TIPD), (ii) Investment and Business Operation Division (IBOD), (iii) Invention Development Division (IDD), and (iv) Finance and Administrative Division (FAD). As of December 31, 2018, TAPI has a personnel complement of 137 consisting of 62 regular employees and 75 contractual employees, assigned to the four (4) divisions as support personnel for various projects implemented by the Institute and for administrative activities.

B. Operational Highlights

One (1) of the Major Final Output of the Institute's operations is their Technical Advisory Services. Its CY 2018 Accomplishments vis-à-vis Physical target, which was validated by the team, are presented as follows:

MFO/Performance Indicator Description	Physical Targets	Physical Accomplishments	Variance	Remarks
Part A I. Operations				
MFO 1: Technical Application and Invention Development Program	228	425	197	
Part B Major Programs/Projects 1. Technology Transfer and Commercialization	18	26	8	
II. Technology Promotion and Marketing Assistance	73	87	14	
III. Comprehensive Invention/Innovation Assistance Program	202	607	405	

C. Financial Highlights

The Institute's financial condition, results of operations and sources and applications of funds for CY 2018 compared with that of the preceding year are as follows:

Financial Condition

Group of Accounts	In Pesos		
	CY 2018	CY 2017 (Restated)	Increase/ (Decrease)
Assets	795,499,677.74	521,189,981.95	274,309,695.79
Liabilities	428,991,367.26	179,906,227.44	249,085,139.82
Net Assets/Equity	366,508,310.48	341,283,754.51	25,224,555.97

Results of Operation

Group of Accounts	In Pesos		
	CY 2018	CY 2017 (Restated)	Increase (Decrease)
Revenue	111,173.72	13,197,296.22	(13,086,122.50)
Expenses	88,177,597.72	73,787,014.01	14,390,583.71
Net Financial Assistance/Subsidy	129,377,520.26	123,646,104.02	5,731,416.24
Surplus/(Deficit)	41,311,096.26	63,056,386.23	(21,745,289.97)

Sources and Application of Funds

Group of Accounts	In Pesos		
	CY 2018	CY 2017	Increase (Decrease)
Allotments	133,021,208.00	128,129,058.00	4,892,150.00
Obligations	132,611,934.42	125,232,954.46	7,378,979.96
Balances	409,273.58	2,896,103.54	(2,486,829.96)

D. Scope of Audit

The audit covered the financial and compliance audits of the accounts and operations of the Technology Application and Promotion Institute for the year ended December 31, 2018. The audit was conducted to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements, (b) recommend agency's improvement opportunities, (c) determine the propriety of transactions as well as the extent of compliance with pertinent laws, rules and regulations, and (d) determine the extent of implementation of prior year's audit recommendations.

E. Independent Auditor's Report

An unmodified opinion was rendered on the financial statements of the TAPI as at December 31, 2018.

F. Summary of Significant Observations and Recommendations

The other significant observations and recommendations, discussed in detail in Part II of the report are as follows:

1. Due from NGAs accounts with a balance of ₱104,198,387.78 as of December 31, 2018 was unreliable and uncertain/undetermined due to: (a) unreconciled difference of ₱18,191,541.52 between the Institute and the Implementing Agency (IA) account balances; (b) financial assistance to IAs amounting to ₱5,248,859.21 have no Officials Receipts submitted as proof of receipt by them; and (c) most of the Subsidiary Ledgers (SLs) don't have ending balances to tally with the Schedule of Due from NGAs as of year-end.

We recommended and Management agreed to require the Accountant to:

- (a) **reconcile TAPI's records with that of the IAs accounting records and to make the necessary adjustments, as necessary;**
- (b) **demand from the IAs to submit the Official Receipts as proofs for the financial assistance given to them amounting to ₱5,248,859.21; and**
- (c) **maintain/update the SLs for various IAs and ending balances should be indicated for immediate comparison of their ending balances with the Schedule of Due from NGAs.**

2. Out of ₱203,064,736.44 received by the Institute for the Invention Guarantee Fund, the total disbursements incurred for the year amounted only to ₱1,380,000.00, leaving a balance of ₱201,684,736.44 as of December 31, 2018, which showed a low fund utilization of the IGF.

We recommended and Management agreed to:

- (a) expedite the review/evaluation of the loan application proposals submitted by the proponents and endorse immediately the qualified proponents to the LBP under the I-TECH (Innovation and Technology) Lending Program for Filipino inventors; and
 - (b) direct the Accountant to record immediately the interest income earned as of December 31, 2018, for a fair presentation of the accounts affected in the Financial Statements.
3. The Due to NGAs accounts with a net balance of ₱222,103,887.94 are unreliable and uncertain/undetermined due to: (a) unreconciled difference of ₱41,156,583.17 between the Institute and the Source Agency (SA) account balances; (b) existence of negative balances amounting to ₱3,179,006.19 on 10 projects and those labeled as for adjustment/reconciliation; and (c) un-updated/ non-maintenance of subsidiary ledgers.

We recommended and Management agreed to require the Chief Accountant to:

- (a) reconcile TAPI's records with that of the DOST OSEC accounting records and to make the necessary adjustments, as necessary;
 - (b) thoroughly analyze, verify and identify the negative balances for the 10 projects and those labeled as for adjustment/reconciliation;
 - (c) maintain/ update the SLs for individual project and to tally with that of the GL; and
 - (d) assign staff to focus on the various projects pertaining to Due to NGAs account, including the maintenance of the SL, copy of F/R and BRS for the trust account only.
4. The Institute received huge amounts of fund transfers from DOST- Central Office and Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD) for the years 2016 to 2018.

However, only ₱213,843,221.46 or 44.24 percent of the total ₱483,387,934.00 for the combined fund transfers from the Source Agencies was utilized for the implementation of various TAPI projects, the unexpended balance of ₱269,544,719.54 (55.76%) were reverted to the Bureau of Treasury.

We recommended and Management agreed to direct the project leaders to:

- (a) exercise judicious budget planning in order to rationalize the provision of funds/allotments intended for project implementation of which the Institute can efficiently maximize its utilization; and**
- (b) improve the mechanisms for its project implementation so that more beneficiaries could avail of the benefits that can be derived therefrom.**

The above findings and recommendations were discussed with the concerned officials of the TAPI in an exit conference conducted on April 24, 2019. Management's views and comments were also considered in the Report, where appropriate.

G. Status of Suspensions, Disallowances and Charges

Shown below is the status of the audit suspensions, disallowances and charges issued as of December 31, 2018:

Particulars	In Pesos			
	Beginning Balance (as of Dec 31, 2017)	This Period January 1 to December 31, 2018		Ending Balance (as of Dec 31, 2018)
		NS/ND/NC	NSSDC	
NS	0.00	0.00	0.00	0.00
ND	3,851,749.08	0.00	0.00	3,851,749.08
NC	0.00	0.00	0.00	0.00
Total	3,851,749.08	0.00	0.00	3,851,749.08

We recommended and Management agreed to:

- (a) enforce the settlement of the audit suspensions and disallowances in accordance with Section 7 of the 2009 RRSA; and**
- (b) exert all efforts to collect from the persons liable who are no longer connected with the Institute in accordance with the payment schedule authorized by the COA-LSS. Follow-up collection or demand letters may be sent or other strategies may be considered on how it can collect**

from the said persons liable. Management should be minded of the solidary nature of the disallowance and that the liability of those retired/separated employees who fail/refuse to settle their liability as well as those already deceased, may be charged against other persons held solidary liable, specifically the approving/certifying officials.

H. Status of Implementation of Prior Year's Audit Recommendations

Of the 29 audit recommendations in the CY 2017 Annual Audit Report, 23 were Implemented and six (6) were Not Implemented, the details of which are shown in Part III of this Report.

We enjoin Management to ensure full implementation of all audit recommendations to improve the financial and operational efficiency of the Agency.