

EXECUTIVE SUMMARY

A. INTRODUCTION

Bataan Peninsula State University (BPSU) was converted into a state university by virtue of Republic Act (RA) No. 9403 dated March 22, 2007.

Before the conversion, the old name of BPSU was Bataan Polytechnic State College (BPSC) which used to have three campuses; two are located in the City of Balanga and the third in Orani, Bataan. The enactment of R.A. No. 9403 resulted in the expansion of BPSU's campuses as the Act integrated the Bataan State College (BSC) in Dinalupihan and its satellite campus in Abucay. On June 10, 2008, BPSU made education more accessible to the residents of Bagac and Morong by establishing an extension campus in the town of Bagac, Bataan.

BPSU is under the management of Dr. Gregorio J. Rodis. The Board of Regents is the governing body of the University which composed of the following:

Hon. Ronald L. Adamat	Chairman
Hon. Gregorio J. Rodis	Vice Chairman
Hon. Francis Joseph G. Escudero	Member
Hon. Paolo Everardo S. Javier	Member
Hon. Leon M. Dacanay, Jr.	Member
Hon. Julius Caesar V. Sicat	Member
Hon. Roy M. Abaya	Member
Hon. Jason Anthony B. Banzon	Member
Hon. Rudy C. Flores	Member
Hon. Kenly T. Rimandiman	Member

As of December 31, 2018, the University had a total personnel complement of 858 as follows: 456 permanent employees, 48 temporary employees, 169 casual, 7 contractual, 19 contract of service, 36 part-timer and 123 job order personnel.

B. FINANCIAL HIGHLIGHTS

The comparative financial condition, results of operation and sources and application of funds of the University are as follows:

	2018	2017	Increase
Financial Condition			
Assets	₱938,214,752.58	₱ 755,727,449.61	₱182,487,302.97
Liabilities	180,738,076.40	146,298,827.55	34,439,248.85
Accumulated Surplus/(Deficit)	757,476,676.18	609,428,622.06	148,048,054.12

Results of Operations	2018	2017	Increase/ (Decrease)
Revenue and Assistance/Subsidy	₱725,248,500.79	₱ 718,547,936.92	₱ 6,700,563.87
Expenses	575,886,442.91	549,675,049.18	26,211,393.73
Surplus/(Deficit) for the Period	149,362,057.88	168,872,887.74	(19,510,829.86)

Comparison of Budget and Actual Amounts	For the Year Ended 2018		Difference
	Final Budgeted Amounts	Actual Amounts	
Receipts	289,905,000.00	289,905,000.00	0.00
Payments	716,658,000.00	652,713,000.00	63,945,000.00
Net Receipts	(426,753,000.00)	(362,808,000.00)	(63,945,000.00)

C. AUDIT SCOPE

The audit covered the financial transactions and operations of the Bataan Peninsula State University for Calendar Year (CY) 2018. We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provided a reasonable basis for the audit results. The objectives of the audit were to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations. The thrust areas identified in the audit instructions were audited on sampling basis and the findings are incorporated in Part II of the report, as follows:

1. Financial Audit

- a. Cash and Cash Equivalents
- b. Receivables
- c. Inventories
- d. Property, Plant and Equipment
- e. Financial Liabilities
- f. Inter-Agency Payables

2. Compliance Audit

- a. Enforcement of timely submission of financial statements, reports and supporting documents such as paid vouchers and official receipts
- b. Enforcement of COA issuances on immediate liquidation and settlement of outstanding cash advances under, among others, COA Circular No. 2012-004, COA Memorandum No. 2015-072, COA Memorandum No. 2004-014, giving priority to recent transactions that can be fully documented
- c. Expanded Students' Grants-in-Aid Program for Poverty Alleviation (ESGP-PA) and Tulong Dunong Program

- d. Compliance by the agencies with their obligations under the MOA covering funds transferred to them by other government agencies
- e. Compliance with RA No. 9184
- f. Compliance with RA No. 8291 (GSIS)
- g. Programs and projects related to Gender and Development
- h. Compliance with tax laws and regulations
- i. Compliance with RA No. 9679 (Pag-IBIG)

D. INDEPENDENT AUDITOR'S REPORT

We rendered a qualified opinion on the fairness of presentation of the financial statements because (a) the correctness of the ₱35,302,590.56 amount of Due to National Government Agencies (NGAs) cannot be established due to the absence of subsidiary records for the Inter-Agency Transferred Funds (IATF); (b) receipts of IATF totaling ₱2,999,820.00 remain unrecognized as at Calendar Year (CY) 2018 year-end; and (c) due to erroneous recognition of ₱424,675.00 subsidies from other NGAs in the inter-agency liability accounts instead of to income account.

We reiterated our recommendations that the President (a) instruct the University Accountant to (i) maintain subsidiary ledgers by source agency to substantiate the accuracy of outstanding Due to NGAs and adjust the balance of the account, if necessary; and (ii) monitor the inter-agency transferred fund balance and ensure that liquidations are regularly reported to source agencies (SAs) and appropriately recognized in the books of accounts of the University; (b) require the Cash and Accounting Unit to coordinate with the SAs to obtain copies of Memorandum of Agreement (MOA) and thereafter record the receipt of all fund transfers consistent with the intent of the source agencies as set forth in the said MOA.

E. SUMMARY OF OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

Summarized below are the other significant audit observations with their recommendations, the details of which are presented in Part II of this report. Management views and comments including those offered during the exit conference were incorporated in the report, where appropriate.

1. The existence, accuracy and reliability of the reported balances of University's Property, Plant and Equipment (PPE) of ₱596,809,387.74, excluding land account, could not be ascertained due to incomplete conduct of actual physical count of properties and non-maintenance of property records inconsistent with the provisions specified in Sections 38 and 42, Chapter 10, Volume 1 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs). (*Observation No. 1*)

We reiterated our recommendations that the President (a) require the completion of physical count of property, plant and equipment (PPE) thru constant monitoring of the development of the process undertaken by the designated Inventory Committee and Supply

Officer; (b) require the Inventory Committee and Supply Officer to prepare accurate, reliable and consolidated Report on Physical Count of PPE (RPCPPE) with types/classes of PPE consistent with the classifications used by the Accounting Unit; and (c) oblige the Supply Officer to maintain Property Cards (PCs) for each PPE to facilitate reconciliation of Accounting Unit's PPE Ledger Cards (PPELCs).

2. The regularity of payments of hazard pay totalling ₱646,218.86 to personnel assigned at Medical and Dental Units of the University cannot be ascertained in the absence of certification by the Secretary of Department of Health indicating that the concerned employees are qualified to receive the said additional compensation as prescribed by the Republic Act (R.A.) No. 7305, or The Magna Carta of Public Health Workers. Moreover, hazard pay of casual and contractual employees with a net amount of ₱203,812.28 were charged against the General Fund whose budget thereof is exclusively appropriated for permanent personnel contrary to Section 45 of General Provisions of Fiscal Year 2018 General Appropriations Act. Likewise, job order personnel were granted a total of ₱27,468.00 hazard pay in spite of lack of employer-employee relationship as specified by R.A. No. 7305. (*Observation No.3*)

We recommended that the President direct the suspension of granting of hazard pay pending receipt of certification from the Secretary of Department of Health (DOH) justifying that the concerned employees are qualified to receive hazard pay. Moreover, in the event that concerned employees will be authorized by DOH to claim hazard pay, we recommended further that the Management (a) consider the appropriation in the Retained Income Fund a budget to cover the hazard pay claims of casual and contractual employees; (b) adhere strictly to the pertinent provisions cited in Department of Budget and Management (DBM) - Department of Health (DOH) Joint Circular (JC) No. 1, s. 2016 dated July 15, 2016 concerning the rates of hazard pay granted to covered employees; and (c) discontinue the payment of hazard pay to job order personnel assigned to Medical and Dental Units.

3. Deficiencies were noted in the lease/memorandum of agreement entered into by and between the BPSU and the Lessees on the lease of spaces used as canteens, food stalls and others in various campuses owned by the University not in consonance with Items 2, 2.1, 2.2 and 2.2.2 (a) and (b) of COA Circular No. 88-282A, which may place the University at a disadvantaged position. Moreover, some lessees' actual electricity and water consumption were undeterminable due to non-installation of electric and water meters on the spaces occupied by them, thus a possibility that their consumption is being shouldered by the University. Likewise, as of year-end, some lessees were unable to pay on time the monthly rental fee and electric/water bills amounting to ₱313,280.00 and ₱59,417.62, respectively. (*Observation No. 4*)

We recommended that the Management (a) specify clearly and comprehensively the terms and conditions in the Memorandum of Agreement (MOA) for the space rental that is fair and beneficial to both the lessor and lessee; (b) indicate the basis of computation on the rate of space rental/derivation of lease rate to be approved by the Board of Regents;

and (c) limit the duration of contract of lease to one year period as provided in the prevailing rules and regulations.

We recommended further that the management (a) enforce the terms and conditions of the agreement and collect fully all the amount due to the University; (b) execute MOA pertinent with the existing lessees in Bagac and Main campuses; and (c) require the installation of lessees' separate electric and water meters to determine lessees' actual consumption or in lieu of separate installation of electric and water meters, recognize appropriately the collections of lessees' payments of electricity and water consumption by temporarily crediting the said collections in the Custodial Fund (CF) as Due to General Fund (GF); thereafter and on a quarterly basis, transfer the accumulated amount from CF to GF by provisionally recognizing the said transfers as Other Deferred Credits in the GF; and finally close the Other Deferred Credits account to Utility Expenses account in the GF, since payment of the University's utility expenses as a whole were charged to the GF.

4. The Accounting Unit failed to submit accounts, financial records and reports on time not in consonance with the Section 7.2.1 (a) of COA Circular No. 2009-006 dated September 15, 2009 Rules and Regulations on the Settlement of Accounts (RRSA) thus, resulting in the delay in audit of the account/transactions and inability to render timely audit decisions. (**Observation No. 5**)

We recommended that the Head of the Accounting Unit endeavour to submit to the Auditor's Office the accounts, required reports and supporting schedules and documents within the prescribed period as required in Section 7.2.1 (a) of COA Circular No. 2009-006 dated September 15, 2009.

5. Payments were made on the procurement of civil works with contract amount totaling ₱283,576,612.69 despite the absence of complete documentations not in accordance with the various provisions of Revised Implementing Rules and Regulations (RIRR), Republic Act (RA) No. 9184, DPWH D.O. No. 216 series of 2000, and Item Nos. 9.1.1 and 9.1.1.4 of COA Circular No. 2012-001. Likewise, liquidated damages were not imposed on projects not completed within the specified contract time thereby, casting doubt on the regularity, validity and propriety of the payments made. (**Observation No. 6**)

We recommended that the University President (a) through the Physical Plant and Engineering Services (PPES) direct the concerned contractor to prepare and submit the (i) log book; (ii) result of test analysis, if applicable; (iii) as built plans for 100% completed projects; (iv) request for time extension, if any; and (v) approved DOLE Construction Safety and Health Program; (b) take action on the request for time extension of projects, if any and direct the PPES and Technical Working Group (TWG) to prepare (i) Statement of Time Elapsed for every progress and final billings of the projects; (ii) complete sets of approved plans and drawings for original contract; (iii) program of work in standard form; (iv) approved detailed quantity and cost estimates; (v) approved technical specifications; (vi) approved budget for the contract in standard form; (vii) approved PERT/CPM; (viii) Abstract of Bids As Calculated; and (ix) Comparison of ABC and the Bid Amount of All

Bidders; and (c) impose liquidated damages on contractors for all projects not completed within the specified contract time in compliance with the existing rules and regulations.

Moreover, we recommended that variation order issued by the University be supported with complete documentations as required in Item 1.5 a, b, c, and d, Annex E of the RIRR of RA 9184. Lastly, we recommended further that management (a) issue the certificates of final acceptance for the infrastructure projects fully completed for more than one year; and (b) require all the contractors of various infrastructure projects to post a warranty security for such projects completed and finally accepted by the University in compliance with the cited provisions of the RIRR of RA 9184.

F. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AT YEAR-END

As of year-end, the University has an outstanding balance of suspensions, disallowances and charges of ₱6,960,055.83, ₱1,459,021.86 and ₱171,700.00, respectively.

G. STATUS OF IMPLEMENTATION OF PRIOR YEARS' UNIMPLEMENTED AUDIT RECOMMENDATIONS

Of the 75 unimplemented audit recommendations in the previous years' Annual Audit Reports, 31 were fully implemented, 28 were partially implemented while 16 were not implemented as of February 28, 2019. Those significant audit recommendations not fully implemented were accordingly reiterated in this audit report to draw attention for their implementation.