

EXECUTIVE SUMMARY

A. Introduction

Nueva Ecija University of Science and Technology (NEUST), formerly known as Central Luzon Polytechnic College (CLPC) under Republic Act (RA) No. 3998 was converted into a State University by Virtue of RA No. 8612 dated March 27, 1998. The mandates of NEUST are to provide advanced instruction, professional training in arts, science and technology, education and other related fields, undertake research and extension services, and provide progressive leadership in these areas. The University also offers graduate, undergraduate and short term technical courses within its areas of specialization and according to its capabilities, considering the needs of the province, the region and the country.

B. Financial Highlights

The comparative analysis of the agency's financial position and financial performance for CYs 2017 and 2016 is shown below:

	2017	2016	Increase (Decrease)	%
Financial Condition				
Assets	₱1,465,459,247.75	₱1,307,492,593.89	₱157,966,653.86	12.08
Liabilities	217,685,451.48	215,366,917.00	2,318,534.48	1.08
Net Assets/Equity	1,247,773,796.27	1,092,125,676.89	155,648,119.38	14.25
Financial Performance				
Revenue and Net Subsidy	665,059,464.06	552,031,380.45	113,028,083.61	20.47
Expenses	472,536,834.08	413,124,776.52	59,412,057.56	14.38
Gains	0.00	755,118.16	(755,118.16)	(100.00)
Surplus/(Deficit) for the Period	192,522,629.98	139,661,722.09	52,860,907.89	37.85

C. Scope of Audit

The audit covered the financial transactions and operations of NEUST for the year ended December 31, 2017. We conducted our audit in accordance with Philippine Public Sector Standards on Auditing 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 year's audit recommendations. The thrust areas identified in the audit instructions were audited on sampling basis and the findings were incorporated in Part II of the report,

as follows:

1. Financial Audit

- a. Cash
- b. Receivable
- c. Other Current Assets – Cash Advances
- d. Property, Plant and Equipment

2. Compliance Audit

- a. Enforcement of COA issuances on the granting, utilization and liquidation of cash advances, under among others, COA Circular No. 97-002, COA Memorandum No. 2004-014, Circular No. 2012-001, COA Circular No. 2012-004 and COA Memorandum No. 2015-072.
- b. Student Financial Assistance Program (StuFAP)
- c. Enforcement of the rules and regulations on timely and complete submission of accounts and financial reports
- d. Audit of Gender and Development (GAD) Programs/Activities/Projects
- e. Compliance with Republic Act No. 9184 (Procurement Law)
- f. Compliance with tax laws and BIR regulations
- g. Compliance with Republic Act No.8291(GSIS)
- h. Compliance with Republic Act No. 9679 (HDMF)

3. Performance Audit

- a. Utilization of constructed buildings
- b. Income Generating Projects

D. Independent Auditor's Report

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of NEUST because the University Accountant (a) failed to (i) record in the books the receivables from unpaid tuition fees of students totaling ₱6,150,016.11, which resulted in material understatement of the total Receivable and Tuition Fees accounts of the University; (ii) account the variance of ₱8,862,947.33 between the accounting and property records, which rendered the reported PPE totaling ₱1,155,815,492.50 unreliable; and (iii) submit vouchers on recorded and reported payments totaling ₱7,912,593.28 which rendered unreliable the validity of the recorded expenses; and (b) recorded as disbursements the unpaid payrolls totaling ₱493,719.00 which resulted in understatement of the Cash Advance and overstatement of the Scholarship Expenses accounts.

For the above exceptions, we recommended that the University Accountant (a) take appropriate action to (i) record in books the uncollected receivables from tuition fees amounting to ₱6,150,016.11; (ii) account the variance of ₱8,862,947.33 between the

accounting and property records; and (iii) submit vouchers on recorded and reported payments totaling ₱7,912,593.28; and (b) prepare adjusting entries to correct the understatement of the Cash Advance and the overstatement of the Scholarship Expenses accounts totaling ₱493,719.00.

E. Summary of Other Significant Audit Observations and Recommendations

1. Lack of effective information drive in the distribution of funds to the intended recipients of the Student Financial Assistance Program (StuFAP), resulted in undistributed amount of ₱2,009,038.00 to 387 students, representing 36.24% of the total funds received, thus the intended beneficiaries were deprived from the benefits and privileges of the program. (***Audit Observation No. 2***)

We recommended and Management agreed that the University Cashier provide copies of the list of students-beneficiaries under CHED-StuFAP to the concerned Deans of Colleges for more effective dissemination procedures that would ensure timely distribution of student allowances.

2. Non-compliance with the rules and regulations on cash advances as prescribed under Section 89 of PD No. 1445, and pertinent Sections of COA Circular No. 97-002 dated February 10, 1997 and GAM Volume I, resulted in control weaknesses over the granting, utilization and liquidation of cash advances, hence, total amount of ₱4,676,332.23 remained unliquidated as of December 31, 2017. (***Audit Observation No. 5***)

We recommended and Management agreed that the University President direct/instruct all concerned to (a) stop the practice of granting additional cash advance to Accountable Officers (AOs) and University personnel who still have unliquidated cash advance/s; (b) refrain from the practice of transferring cash advances of AOs to other officers/personnel who actually need the cash, but instead, require them to be adequately bonded in accordance with law; (c) undertake full information dissemination to the intended student-beneficiaries of the NEUST Gabaldon Campus for the immediate liquidation of cash advances for scholarship funds; (d) submit to the Internal Audit the Liquidation Reports for cash advances obtained for official travels, seminars/trainings within the prescribed period; and (e) take appropriate action for the full settlement of the year-end balance of unliquidated cash advances totaling ₱4,676,332.23.

3. Non-observance of pertinent provisions of the 2016 Revised Implementing Rules and Regulations of Republic Act No. 9184 resulted in the issuance of Variation Order amounting to ₱14,712,192.97 which exceeded the allowable 10% of the original contract price of ₱34,677,513.64 for the Perimeter Fencing (Phase I) at NEUST Gabaldon Campus instead of entering into a separate contract for the 32.43% excess variation as required by law. Moreover, erroneous accounting entries for the subject Infrastructure Project resulted in misclassification of affected PPE accounts. (***Audit Observation No. 6***)

We recommended and Management agreed that the University President (a) require the Director, Infrastructure Development Office (IDO) to (i) improve performance on the planning and detailed engineering for infrastructure projects, in strict observance of the pertinent provisions of the 2016 Revised Implementing Rules and Regulations of Republic Act No. 9184, so as to avoid the repetition of the lapses committed in the planning and implementation of the subject project-Perimeter Fencing (Phase I) at NEUST Gabaldon Campus; and (ii) explain why the two items of work in the original program that were already accomplished, totaling ₱151,459.57 were deleted in the Variation Order; and (b) instruct the University Accountant to effect the necessary adjustment in the books to correct the misclassified PPE accounts.

4. The University could have saved man-hours and other resources had the 482 purchases through shopping/canvass at total cost of ₱25,496,920.64 been made in bulk quantities through public bidding or through the Procurement Service - Department of Budget and 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, respectively, thus minimizing the costs of such procurement activities and obtaining the prices most advantageous to the government. (*Audit Observation No. 7*)

We recommended and Management agreed that the University President advise the Procurement Officer and the Bids and Awards Committee to undertake future purchases of common use supplies, materials and equipment in bulk quantities through public bidding or through the PS-DBM, in conformity with the pertinent provisions of RA No. 9184 and its Revised IRR and AO No. 17, s. 2011 in order to minimize additional costs incurred, and obtain prices most advantageous on the part of the University.

5. Failure to strictly adhere with the required procedures for small value procurement under Item 8, Annex “H” of the 2016 Revised Implementing Rules and Regulations of Republic Act No. 9184 had resulted in various deliveries of meals/snacks, totaling ₱1,518,475.00 even without the required Purchase Orders/Contracts duly acknowledged by suppliers which is indicative of weakness in the University’s internal control on procurement system. Moreover, doubtful validity of Requests For Quotations (RFQs) gave rise to non-assurance whether the University had availed of the lowest procurement costs. (*Audit Observation No. 8*)

We recommended and Management agreed that the University President require the (a) officials/personnel responsible in the procurement activities to undertake proper planning of each event or occasion to provide adequate time in the preparation of documents needed in the procurement process which should be in accordance with existing rules and regulations; and (b) Canvassers to require as much as possible, the real food suppliers/owners to sign on the RFQs/Canvass Papers, and the authorized representatives to print their names before signing on the RFQs.

6. Non-adherence with the pertinent provisions of existing laws, rules and regulations covering fund management resulted in control weaknesses and control

breakdowns over cash custodianship and management which affected the attainment of internal control objectives of safeguarding assets and records. (*Audit Observation No. 9*)

We recommended and Management agreed that the University President (a) require the Accountable Officers from the University Main Campus and the Income Generating Project (IGP) - Marketing and Training Center to coordinate with concerned offices for the increase of their fidelity bonds commensurate to the average accountabilities they hold as collectors of government funds; (b) require all Accountable Officers to deposit their collections regularly and intact, in accordance with Item 32, Chapter II of COA Memorandum No. 2013-004, in order to protect government funds against the risks of loss, theft or misappropriation; (c) strengthen the internal control in the Collection System by designating an official who has no access in the issuance of ORs to edit, delete or void details in the ORs in case of error made by Cash Clerks/Collectors; (d) designate a regular and bonded personnel to do the collection of revenues from the IGP - Eco Park transactions; and (e) instruct all Cash Clerks/Collectors to issue Official Receipts in acknowledgement of revenues accruing to the University and remit their total collections to the regular Cashier at the end of each working day.

7. The ultimate objective of constructing two College Buildings with a total cost of ₱101,975,016.09 could have been effectively attained, had proper planning and implementation been taken in such manner that timely utilization of completed phases been prioritized, thus the value of government funds put thereon could have provided beneficial returns to the intended users. (*Audit Observation No. 10*)

We recommended and Management agreed that the University President (a) instruct the Director of Infrastructure Development Office (IDO) to take appropriate action for the fixing of the defects noted in the CICT and Engineering Buildings; (b) assign specific personnel for the proper upkeep and maintenance of the two subject college buildings and other structures in the University campus; and (c) initiate action for the immediate utilization of the two college buildings.

8. Ineffective management and supervision of University Income Generating Projects (IGPs) resulted in (a) continuous decline of the Livestock Production Project inventory by ₱2,022,058.10 covering a four year period analysis; (b) losses from sales of livestock totaling ₱1,723,834.79, with uncollected receivables from sales of ₱104,657.00; (c) unreliable financial reports on Palayamanan Project with ₱63,432.00 sales proceeds remaining in the custody of unbonded Project In-Charge; and (d) non-collection of potential rent income from the Alumni Building situated inside the University campus, totaling ₱1,082,000.00. (*Audit Observation No. 11*)

We recommended and Management agreed that the University President instruct the (a) Director of NEUST Gabaldon Campus, Project In-Charge of Livestock Production, and University Veterinarian to (i) maximize the planting of napier grass in the available five hectares land at the campus; (ii) make early requests and constant coordination with the procurement unit on the needed medical supplies for the livestock; (iii) cause the construction of a bigger housing structure for the cattle and dairy buffalos; (iv) undertake closer supervision on the assigned shepherds for them to be more responsible in taking

care of the animals while in the pasture area; and (v) take appropriate action to disinfect the pasture area; (b) personnel assigned in the sale/disposal of livestock to (i) prepare complete sales reports; and (ii) effect the immediate collection of receivables from sale of livestock from the NEUST Gabaldon personnel totaling ₱104,657.00; (c) Project In-Charge of the Palayamanan Project to (i) apply for a fidelity bond and seek authority to hold a revolving fund for the soil project; and (ii) submit complete and accurate Palay Production and Sales Report every cropping season; and (d) Director of the Corporate and Business Affairs Office (CBAO) to (i) make representations with the officials of the NEUST Alumni Association for the formulation of formal Memorandum of Agreement which shall contain clear policies on leasing of the Alumni Building and sharing scheme from the lease income derived therefrom; and (ii) if the Memorandum of Agreement follows the previous sharing percentage, send a billing statement to the Alumni Association for the ₱1,082,000.00 recorded arrears for its unremitted rental share to the University.

9. The University had fully complied with the required 5% budget allocation for Gender and Development (GAD) programs, in conformity with the Philippine Commission on Women – National Economic Development Authority - Department of Budget and Management (PCW-NEDA-DBM) Joint Circular No. 2012-01. Implemented programs/activities/projects for the year amounting to ₱13,670,097.25 or 88.35% of the allocated budget had brought beneficial effects to the intended beneficiaries, thus achieving its goals of addressing gender issues. However, expenditures incurred in some programs which exceeded the budgeted amounts have been noted. (*Audit Observation No. 12*)

We recommended and Management agreed that the University President instruct the (a) designated Director and other officials comprising the GAD Focal Point System to exert efforts toward the full implementation of all programs, activities and projects embodied in the annual GAD Plan and Budget; and (b) limit expenditures to the extent of approved budget for specific program or activity.

10. Failure of the University personnel concerned to comply with the requirements on suspended transactions and to make refunds on disallowed payments resulted in the remaining balances of unsettled suspensions and disallowances totaling ₱3,814,251.79 and ₱18,160,351.05 respectively, as of December 31, 2017. (*Audit Observation No. 13*)

We recommended and Management agreed that the University personnel determined responsible or liable be directed to settle the suspensions and disallowances in conformity with existing rules and regulations.

11. The University had faithfully adhered on the prompt remittance of withheld taxes to the BIR, in conformity with paragraph 2(a), Section 2.58 of BIR Revenue Regulation No. 02-98 dated April 17, 1998, leaving unremitted the minimal amount of ₱3,003,324.67 which only pertained to taxes withheld in December 2017. (*Audit Observation No. 14*)

We recommended and Management agreed that the University continue on its good performance in faithful withholding and prompt remittance of taxes to the BIR, thus making contribution to the national government in generating additional revenue.

12. GSIS premiums/contributions and loan amortizations of personnel together with the employer's shares were fully remitted to the said agency within the prescribed period, in conformity with Section 6, paragraph (b) of RA No. 8291, otherwise known as the Government Service Insurance System (GSIS) Act of 1991 with minimal amount of unremitted premiums of ₱2,113.29 as of December 31, 2017. (*Audit Observation No. 15*)

We recommended and Management agreed that the University continue on its good practice of strict compliance with the provisions of RA No. 8291, prescribing the prompt remittance to the GSIS of premiums/contributions and loan amortizations withheld from personnel compensation.

13. The University was found to have fully complied on the proper deduction and timely remittance of Pag-IBIG Fund contributions and Short Term Loan amortizations of personnel, in conformity with the provisions of Republic Act No. 9679. (*Audit Observation No. 16*)

We recommended and Management agreed to continuously withhold the appropriate amount of contributions and loan amortizations from the salaries of agency personnel, and make the prompt remittance of the amount withheld to the HDMF.

F. Summary of Total Suspensions, Disallowances and Charges as of year-end

Particulars	Beg. Balance, as of Jan.1, 2017	This period, Jan. - Dec. 2017		Ending Balance, as of Dec. 31,2017
		Issuances	Settlement	
Notice of Suspensions	₱5,837,921.70	₱0.00	₱2,023,669.91	₱3,814,251.79
Notice of Disallowances	18,160,351.05	0.00	0.00	18,160,351.05
Total	₱23,998,272.75	₱0.00	₱2,023,669.91	₱21,974,602.84

G. Status of Implementation of Prior Year's Unimplemented Audit Recommendations

Of the 41 prior year's audit recommendations, 24 were fully implemented, 13 were partially implemented, and four were not implemented, as discussed in Part III of the report.