

EXECUTIVE SUMMARY

A. INTRODUCTION

La Union Medical Center (LUMC) was the first devolved provincial hospital in the Philippines to be transformed into a non-stock, non-profit, local government-owned and controlled corporation by virtue of Republic Act. No. 9259.

Agency Mission:

1. To deliver quality, efficient, affordable, compassionate hospital service regardless whether the patient can pay or not pay;
2. Institutionalize peace, harmony, cooperation and teamwork in our workplace and in the hospital in general;
3. Uphold meritocracy fairness and justice;
4. Foster public private partnership to improve the services in the hospital;
5. Ensure financial viability thru cost recovery and revenue enhancement based upon the patient's capacity to pay.

Agency Vision:

La Union Medical Center model as local government controlled provincial hospital serving the people regardless whether the patient can pay or not pay, a dream hospital of the poor; providing a service that is competent, equitable, affordable, compassionate and friendly.

Operating as such since March 2004, as non-stock, non-profit Government Owned and Controlled Corporation , the hospital is now considered a "business model" for socio-economic enterprise; institutionalizing the "fee for service" concept based upon the patient's capacity to pay. The spirit of "Bayanihan" and the "ancient trade" system is alive at La Union Medical Center.

B. FINANCIAL HIGHLIGHTS

The comparative data on the financial position and results of financial performance of La Union Medical Center for the CY 2017 and 2016 are presented below:

Particulars	2017	2016
<i>Financial Position</i>		
Assets	297,276,700.55	269,630,452.87
Liabilities	40,248,201.05	38,117,000.01

Government Equity	257,028,499.50	231,513,452.86
<i>Results of Financial Performance</i>		
Income	234,611,395.39	198,527,547.36
Expenses	207,291,253.38	186,607,934.16
Excess of Income	27,320,142.01	11,919,613.20
<i>Sources and Application of Funds</i>		
Allotments	203,372,101.39	188,977,290.99
Obligations	196,476,025.42	166,213,776.75
Balance	6,896,075.97	22,763,514.24
Continuing Appropriation	9,013,267.00	5,341,805.00

C. OPERATIONAL HIGHLIGHTS

The following are the major accomplishments of La Union Medical Center for CY 2017:

1. The hospital had exceeded its normal occupancy rate. For CY2017, hospital occupancy rate was 148.90%.
2. There was an increase by 5.9% in the total out patients for CY 2017 which is 68,570 as against 64,758 for PY 2016.
3. The hospital has a total collection from Philhealth Insurance amounting to P93,764,148.60 against its target of P92,000,000.00 which is equivalent to 101.92% collection rate. Compared to CY 2016, there was an increase of collection by P5,540,349.00 or 5.9%, but the hospital has Philhealth receivables amounting to more than P39Million.
4. The total quantified free service extended to poor patients for CY 2017 amounted to P4,835,548.05 compared to PY 2016 which is P4,591,963.77, there was an increase of P243,584.28 or 5.3%.

D. SCOPE OF AUDIT AND AUDIT METHODOLOGY

A financial and compliance audit was conducted on the accounts and operations of the La Union Medical Center for the period from January 1 to December 31, 2017. The audit was focused on the different audit thrusts/areas issued by the Local Government Sector for CY 2017, where applicable.

The audit was done using various audit techniques like confirmation, observation, interview, evaluation of control system/s, and other auditing procedures and techniques necessary under the circumstances to ascertain the fairness of the presentation of the financial statements and compliance of the agency to laws, rules and regulations and whether programs and projects were carried out in economical, efficient and effective manner.

E. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements of La Union Medical Center, Agoo, La Union as the balances of the Inventory accounts in the total amount of P27,414,179.63 could not be ascertained due to incomplete inventory-taking and non-preparation and non-submission of the Report on the Physical Count of Inventories (RPCI) thereby, creating doubt on the correctness of the inventory balances in the financial statements.

F. SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

We acknowledge the positive response of management on our previous year's audit recommendations and current year's audit observation memoranda.

It is worthy to mention that La Union Medical Center had also complied with the following areas:

1. Cash and Cash Accounts

We commended the Accounting Office for the timely submission of Monthly Bank Reconciliation Statements. Confirmation made with the depository banks and verification of balances with the Accounting Records disclosed that the various Cash in Bank accounts of La Union Medical Center were reconciled. Likewise, cash examinations conducted disclosed no shortages on the cash accountabilities of Accountable Officers.

2. Liquidation of Cash Advances

For the year 2017, we commended management for the full liquidation of all cash advances of accountable officers and employees thereby showing zero balance at year-end.

3. Compliance with Tax Laws and Regulations

The Accounting Office had properly withheld taxes from salaries and wages of personnel as well as from payments of purchases and business contracts and remitted the same to the Bureau of Internal Revenue (BIR) within the prescribed period, thus avoiding the penalties and surcharges, in compliance to Section 2.81

of Revenue Regulations No. 2-98 dated April 17, 1998, Revenue Memorandum Circular Nos. 23-2007 and 23-2012 dated March 20, 2007 and February 14, 2012, respectively.

We commended the Management for its continuous strict compliance with existing revenue regulations and prompt remittance of the taxes due to the BIR, thus avoiding penalties and surcharges.

4. Remittance of Mandatory GSIS, Philhealth and Pag-ibig Contributions and Remittance of Loan Amortizations

The provincial government complied with RA 8291 - the Government Service Insurance System (GSIS) Law, RA 10606 – the National Health Insurance Act of 2013 and RA 9679 – the Home Development Mutual Fund/ Pag-ibig Fund Law of 2009 on the withholding of GSIS, Philhealth and Pag-ibig premiums and loan amortizations from employees' compensation and in the remittance thereof together with the government share within the prescribed period.

We recommended that the Accounting Office and the Treasury Office continue to be compliant in the deduction of GSIS, Philhealth and Pag-ibig Fund premium contributions and loan amortizations and the remittance thereof including the government share within the prescribed period.

5. Gender and Development (GAD) Fund

For CY 2017, La Union Medical Center had appropriated **P9,356,751.00** for gender and development programs and activities. It is notable to mention that management implemented quality client-focused and organization-focused programs and activities that address concerns on women empowerment, women human rights and gender responsive issues among its clients and employees.

However, the audit team noted the following audit observations and recommendations on the operations of the La Union Medical Center during the year:

1. The balances of the Inventory accounts in the total amount of P27,414,179.63 could not be ascertained due to incomplete inventory-taking and non-preparation and non-submission of the Report on the Physical Count of Inventories (RPCI) thereby, creating doubt on the correctness of the inventory balances in the financial statements.

We recommended that the Supply Office and the Accounting Office regularly reconcile the balances between the ledgers and report on inventories and for the Accounting Office to draw adjusting entries as necessary. For their part, the Inventory Committee conduct the periodic physical count of inventories and submit the required RPCI to the Audit Team not later than July 31 and January 31 of each year for the first and second semesters, respectively.

2. Cash advances granted to the Hospital Cashier for Dietary Supplies and Other Maintenance and Operating Expenses were not sufficient to cover the hospital's requirements for two months as prescribed under COA Circular No. 97-002 dated February 10, 1997. The insufficiency of the cash advances coupled with the delays in the preparation of replenishment vouchers had affected the efficient delivery of medical services to their patients.

We recommended that management allocate and increase the amounts of cash advances granted to the Hospital Cashier which shall be enough to cover their requirements for one or two months operation based on the regular number of patients admitted and not only on the bed-capacity.

3. The denied benefit claims from Philhealth increased to P1,449,682.06 from the previous years' P883,707.00 or an increase of P565,975.06 due non-compliance with pertinent provisions of the RIRR of RA No. 7875 or the National Health Insurance Act (NHIA) of 1995, as amended by RA Nos. 9241 and 10606, and relevant PHIC Circulars, thus resulting in the accumulation of uncollected receivables from PHIC.

We reiterated the following recommendations to the Management:

- a. Require the Heads of the Billing Section or persons concerned to review carefully and thoroughly all claim forms for completeness and correctness of data prior to submission to the PHIC, including signatures and accreditation of doctors, so that deficiencies noted are immediately resolved, and monitor the deadline set for filing and appeals, to ensure payment/collection thereof;
- b. Request access to the e-claims website of the PHIC to facilitate verification whether a particular member/beneficiary is qualified or if the 45 compensable days have already been exhausted in order to prevent denial and/or disallowance of the claim;
- c. Require the Accounting Division to:
 - Check whether all discharges with PHIC deductions were filed with PHIC;
 - Maintain updated SLs and supporting schedules for PHIC claims;
 - Evaluate denied/RTH claims for the imposition of proper sanction for the responsible employee's negligence;
 - Prepare a periodic status report on the outstanding claims from PHIC;
 - Conduct regular reconciliation with PHIC for the unpaid claims considering that these represent significant portion of the recorded income; and
 - Issue/Send demand letters to patients whose claims were not reimbursed/paid by PHIC and exhaust all means to collect long outstanding receivables from PHIC;

- For the denied claims with PHIC Final Resolution, collect the corresponding amount from hospital doctors and staff found to be jointly and solidarily liable for the disallowed/denied case rate claim.
- d. Henceforth, adhere strictly with the guidelines prescribed by the Revised IRR of the NHIA of 2013 and other relevant PHIC circulars; and
 - e. Ensure that concerned staff undertake continuous trainings and attend seminars to apprise themselves with the current and best practices relevant to processing PHIC claims.
4. The purchase of medical and laboratory supplies in the aggregate amount of P9,024,445.80 were made “on the need basis” thru small value procurement instead of a consolidated procurement thru competitive public bidding as prescribed under Section 10 of the Revised IRR of RA 9184, otherwise known as “The Government Procurement Reform Act.”

We recommended management to consolidate its requirements for medical and laboratory supplies and follow the procurement process required which is competitive public bidding in order to obtain the prices most advantageous to the hospital.

G. Summary of Total Suspensions, Disallowances and Charges

Particulars	Balance as of December 31, 2017	
	Prior to 2009 RRSA	2009-2016
Suspensions	-	-
Charges	-	-
Disallowances	-	-

H. Status of Implementation of Prior Years’ Audit Recommendations

Status of Implementation	Quantity
Fully Implemented	2
Partially Implemented	2
Not Implemented	-