

EXECUTIVE SUMMARY

A. Introduction

Ifugao State University (IFSU) is the premier institution of higher learning in the Province of Ifugao and a Level III state university.

IFSU started in 1920 as a Farm Settlement School. In 1972, it was elevated into Ifugao Agricultural and Technical College (IATC) offering secondary and tertiary/undergraduate courses. In 1982, it was further expanded into Ifugao State College of Agriculture and Forestry (ISCAF) offering various Baccalaureate and Masters courses.

On October 14, 2009, Republic Act No. 9720 was signed into law formally converting ISCAF into what is now known as Ifugao State University (IFSU) with campuses in Lamut (Main Campus), Aguinaldo, Hapao (in Hungduan), Lagawe, Potia (in Alfonso Lista) and Tinoc.

Formal launching and operation of IFSU started on January 6, 2010 with the adoption of its Implementing Rules and Regulations (IRR), the University Code and University Development Plan.

As of December 31, 2019, the six campuses of the University had a personnel complement of 655, summarized as follows:

Status of Employment	Total
Permanent:	
Teaching Positions	233
Non-teaching Positions	122
Non-permanent:	
Teaching Positions	63
Non-teaching Positions	237
TOTAL	655

Pursuant to COA Resolution No. 2011-009 dated October 20, 2011 the integrated results and risk based audit methodology has been adopted in the audit of the accounts and operations of the University for the period ended December 31, 2019.

The audit aimed to verify the level of assurance that may be placed on management's assertions on the financial statements, ascertain compliance with rules and regulations, and determine whether financial resources were managed economically and efficiently.

B. Financial Highlights

The following comparative data show the University's assets, liabilities, equity, income, expenses, sources and application of funds for CY 2019 and CY 2018.

	2019	2018	Increase (Decrease)	
			Amount	Percent
Assets	₱ 990,275,208.94	₱ 952,722,371.78	₱ 37,552,837.16	3.94
Liabilities	158,325,288.21	173,051,227.56	(14,725,939.35)	(8.51)
Equity	831,949,920.73	779,671,144.22	52,278,776.51	6.71
Income	435,191,165.59	451,565,175.41	(16,374,009.82)	(3.63)
Expenses	378,859,782.48	319,807,282.29	59,052,500.19	18.47

Funding Source	2019	2018	Increase (Decrease)	
			Amount	Percent
<u>Appropriations</u>				
General Appropriations Act	₱ 368,390,025.00	₱381,624,000.00	(13,233,975.00)	(3.47)
Special Allotment Release Order	16,275,210.00	27,782,738.00	(11,507,528.00)	(41.42)
Internally Generated Funds	87,981,210.00	74,797,002.83	13,184,207.17	17.63
Total Appropriations	472,646,445.00	484,203,740.83	(11,557,295.83)	(2.39)
<u>Obligations/ Budget Utilization</u>				
General Appropriations Act	333,413,048.57	371,295,139.00	(37,882,090.43)	(10.20)
Special Allotment Release Order	16,271,709.58	27,169,767.95	(10,898,058.37)	(40.11)
Internally Generated Funds	61,363,068.92	55,220,184.20	6,142,884.72	11.12
Total Obligations	411,047,827.07	453,685,091.15	(42,637,264.08)	(9.40)
Appropriation Balance	₱ 61,598,617.93	₱30,518,649.68	31,079,968.25	101.84

C. Independent Auditor's Report

We rendered a qualified opinion on the fairness of presentation of the financial statements of Ifugao State University, for the year ended December 31, 2019, due to the following:

1. The gross balances of Property, Plant and Equipment (PPE) accounts in the aggregate amount of ₱979,383,680.88, excluding Construction in Progress (CIP), could not be established with certainty as a variance of ₱565,719,566.33 exists between the balances in the Financial Statements (FS) and the Report on the Physical Count of PPE (RPCPPE), due to incomplete physical count of PPE as at yearend, and lack of accounting and property records for verification.
2. Direct deposits to the bank totaling ₱4,907,055.65 remained unrecorded in the accounting books due to management's inability to trace the depositors/payors and the nature of the deposits.

3. Accounts payable which were undocumented or without valid claimants, amounting to ₱5,638,585.10, remained in the University's books for more than two years instead of being reverted to the unappropriated surplus of the General Fund.
4. The balances of the reciprocal accounts, Due from Other Funds and Due to Other Funds, were not reconciled resulting in a variance of ₱3,899,756.91.

D. Summary of Significant Observations and Recommendations

Other than the bases for the modified opinion on the financial statements, the following are some of the significant observations and recommendations, which were discussed with management in an exit conference on June 23, 2020 and whose comments were incorporated in the report, where appropriate:

1. The University did not comply with the requirements under the 2016 Revised Implementing Rules and Regulations (IRR) of R.A. No. 9184 on the preparation and submission of Project Procurement Management Plans (PPMPs) and Revised Annual Procurement Plan (APP)/Supplemental APPs for FY 2019, thereby, indicating weak procurement planning and budget linkage.

We recommended that management meticulously and judiciously plan its procurement activities by following the requirements in the 2016 Revised IRR of RA No. 9184, as follows:

- 1.1. Require the submission of PPMPs by end-users/PMOs or implementing units as basis in the preparation of the Budget, and for consolidation into the APP;
 - 1.2. Prepare and submit a duly-approved Revised APP after the approval of the GAA to reflect the budgetary allocation of the university;
 - 1.3. Timely update the procurement plan through revised APPs or Supplemental APPs so that procurements are based on approved plans; and
 - 1.4. Submit all APPs and other required procurement documents to the GPPB for posting, to promote transparency and full disclosure of the University's procurement process.
2. Infrastructure projects, costing ₱10,550,000.00, were procured through Negotiated Procurement – Small Value Procurement (NP-SVP) or combined with Public Bidding without completely adhering to the requirements and procedures provided under RA No. 9184 and its 2016 Revised IRR, thereby, rendering the regularity and transparency of the procurement process doubtful, and that the most advantageous prices may not have been obtained for the University.

We recommended that management:

- 2.1. justify or provide evidences to support the conclusion that public bidding could not be ultimately pursued, and that there was no splitting of contracts in the above cases;
 - 2.2. justify that the procurement through NP-SVP of sub-projects, Construction of Campus Water System–Main Campus and Construction/Completion of Main Gate, Back Gate & Security Post (Additional Works)-Tinoc Campus, should not be disallowed even if the changes in the mode of procurement are irregular due to non-approval by HoPE of the changes before the procurement activities began;
 - 2.3. henceforth, comply with the requirements of R.A. 9184 and its Revised IRR on the following, among others: and
 - changes to be reflected in the Supplemental/Amended APP and submitted to GPPB;
 - prohibition on splitting of contracts;
 - amount of ABC equal to the General Appropriations Act (GAA) amount;
 - preparation of BAC resolutions recommending the change in the method of procurement and approval of the HoPE before the start of procurement activities.
 - 2.4. adopt public bidding as a customary mode of procurement and avoid the practice of resorting to alternative mode of procurement unless in exceptional cases.
3. Provisions in the IFSU Code, specifically in the Income Generating Project Manual relative to starting an income generating project were not complied with, which may compromise the success and direction of the projects, and precluded our complete evaluation thereof.

We recommended that management accomplish the following:

- 3.1. For existing projects, formulate the following on a per project basis, and thereafter, orient the IGP employees on them: and
 - Vision, mission, goals and thrusts;
 - Appropriate organization structure and defined individual responsibilities and accountabilities; and
 - Implementing guidelines and policies.
- 3.2. For future IGPs, comply with the provisions set by the IFSU Code, specifically Chapter 2 of the IGP Manual, which includes the conduct of feasibility studies.

We further recommended that management revisit the Code, and establish clear criteria or guidelines on registering a project under IGP considering the required amount of capital, duration of project operation, and rate of return. Projects which do not meet the criteria may be classified as “for instruction purposes” or “short term endeavor” and setting different expected outputs or results of operations.

4. Various property and equipment amounting to ₱1,227,116.12 acquired for the use of nine income generating projects that were no longer operational remained unutilized, contrary to Section 2 of Presidential Decree 1445, and resulted in additional losses due to deterioration and depreciation.

We recommended that management, through the IGP Division:

- 4.1. conduct an in-depth study to assess whether the nine non-operational projects could still continue operations in the near future; and
- 4.2. assess whether the property and equipment belonging to projects that are permanently discontinued can still be utilized for other operational projects, then act accordingly.

E. Summary of Total Suspensions, Disallowances and Charges

As of December 31, 2019, the University had audit suspensions, disallowances and charges, as follows:

Particulars	Current Year	Prior Years	Total
Suspensions	₱ 0.00	₱ 0.00	₱ 0.00
Disallowances	7,344,725.60	12,758,677.00	20,103,402.60
Charges	49,391.99	0.00	49,391.99

The total disallowance balance includes the NDs issued prior to the 2009 Revised Rules on Settlement of Accounts (RRSA) totaling to ₱3,582,481.68.

F. Implementation of Prior Years’ Audit Recommendations

Out of the 21 prior years’ audit recommendations, seven were fully implemented, five were partially implemented, and nine were not implemented.