



Republic of the Philippines
COMMISSION ON AUDIT

Cordillera Administrative Region
La Trinidad, Benguet

June 26, 2020

DR. NELIA Z. CAUILAN
College President
Apayao State College
Conner, Apayao



Dear Dr. Caulan,

We are pleased to transmit the Annual Audit Report on the Apayao State College for calendar year ended December 31, 2019 in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the results of our audit.

We rendered a qualified opinion on the fairness of presentation of the financial statements of the College for the year ended December 31, 2019 because:

1. Expenditures amounting to ₱3,530,247.12 chargeable against the Fund Transfers were not initially recognized under the appropriate expense/asset accounts but automatically debited as "Due to NGAs", contrary to the prescribed accounting entries under Annex M of the Government Accounting Manual for National Government Agencies, Volume I.
2. Accounts Receivable balance is unreliable due to the presence of negative accounts amounting to ₱1,776,111.01;
3. Cost of Sales balance of ₱2,758,099.69 is unreliable due to the non-conduct of physical inventory and the absence of Subsidiary Ledger Cards and Stock Cards pertaining to canteen operations; and
4. Income and Accounts Receivable were understated by ₱1,597,200.00 due to failure to record outstanding bills of debtors of the Income Generating Enterprises (IGEs) of the College.

The most significant findings and observations, the details of which and the other findings and observations, are discussed in the Observations and Recommendations portion of this report, are summarized as follows:



074-422-0827



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1. The College did not terminate the Construction of BSHRM Building-Phase I with contract amount of ₱19,147,682.91 despite the incurrence of negative slippage of more than 10 percent in the completion of the works due to the contractor's fault and despite the expiration of the contract time; resulting in prolonged non-utilization of the building.
2. Two (2) projects amounting to ₱15,525,458.94 were found deficient as of December 19, 2019, contrary to the report of the Infrastructure Development Director that the said projects were 100% completed, which could result in improper computation of the liquidated damages and non-imposition of appropriate sanctions to the erring contractors.
3. The project "Continuation of Multi-purpose Building" with contract amount of ₱1,761,439.03 was not in accordance with plans and specifications; thus, the structural integrity of the building was not ensured and may result in disallowance, if not rectified.
4. Failure of the agency to observe the guidelines on liquidation of cash advances set forth in COA Circular 97-002 resulted in unliquidated cash advances at the end of CY 2019 totaling ₱1,013,214.50. Such failure has put government funds to the risk of misuse in case the cash advance has not been utilized.
5. Total purchases of goods and services amounting to ₱1,733,453.04 were paid in cash thru reimbursement basis instead of direct payment to creditors contrary to the general principles of the imprest system while purchases totaling ₱659,630.04 which are above ₱15,000.00 per transaction were charged to the Petty Cash Fund, contrary to COA Circular No. 97-002.
6. Reimbursements amounting to ₱506,730.00 were not completely and properly documented contrary to Section 4.6 of P.D. 1445, thereby casting doubts on the propriety and reliability of the disbursements.
7. The agency failed to return the unused balance of the fund transferred by the Department of Agriculture-Regional Field Office-Cordillera Administrative Region amounting to ₱609,150.00 contrary to Section 6.7 of COA Circular No. 94-013 dated December 13, 1994, thereby tying up government funds which could have been used for other priority programs of the Department of Agriculture.
8. Honoraria amounting to ₱161,132.80 was paid to employees assigned to special projects/undertakings which are part of the regular functions of the agency and charged the expenditure to the funds transferred by the source agencies, contrary to Section 9 of COA Circular No. 94-013 dated December 13, 1994 and DBM Budget Circular 2007-02 dated October 17, 2007, rendering the disbursements disallowable in audit.

9. Required reports for the implementation of Inter-Agency Transferred Funds were not timely submitted and/or not submitted to the Source/Funding Agencies contrary to the terms and agreements in their respective Memorandum of Agreements (MOA) resulting in discrepancies on the account balances between the Source and Implementing Agencies in any particular period.
10. Lack of close monitoring, supervision and enforcement of measures and sanctions on the contractors of seven (7) contracts with a total amount of ₱75,400,328.42 resulted in delay or non-completion of the projects within the contract period contrary to Section 2 of Presidential Decree No. 1445, and Annex I of the Revised Implementing Rules and Regulation (IRR) of Republic Act No. 9184; thus, depriving intended users the benefit from the use of the projects.
11. Disallowances and suspensions amounting to ₱3,240,615.05 and ₱545,513.25 respectively, remain unsettled as of year-end.

We request that the recommended remedial measures be immediately implemented and we will appreciate being informed of the actions taken thereon by submitting within 60 days from receipt hereof the duly accomplished Agency Action Plan and Status of Implementation from herein attached.

We acknowledge the assistance and support extended to the Audit Team by the officials and staff of the agency.

Very truly yours,



Atty. EDEN D. TINGSON-RAFANAN
Regional Director





Republic of the Philippines
COMMISSION ON AUDIT

Cordillera Administrative Region
La Trinidad, Benguet

June 26, 2020

THE BOARD OF TRUSTEES

Apayao State College
Conner, Apayao



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Atty. EDEN D. TINGSON-RAFANAN
Regional Director 