

EXECUTIVE SUMMARY

A. Introduction

The Veterans Memorial Medical Center (VMMC) was established in 1955 primarily for the hospitalization and treatment of World War II veterans pursuant to Public Law 865, 80th U.S. Congress. Various amendments have been introduced and the latest was Republic Act 6948 which has liberalized the definition of veterans to include the Armed Forces of the Philippines (AFP) retirees. Likewise, the hospitalization benefit was extended to the veteran dependents. It is a civilian bureau under the Secretary of National Defense. It was inaugurated as a medical center in 1976 by then President Ferdinand E. Marcos. In the Integrated Reorganization Plan of the National Government in 1972 as implemented by Letter of Instruction No. 19, the VMMC was integrated with the Philippine Veterans Affairs Office (PVAO). It is a tertiary and accredited training center in the field of medicine and applied discipline.

The VMMC is committed to perform the following functions:

1. Provide quality patient care to veterans and their dependents and to limited number of civilian and medicare patients;
2. Provide continuing medical education and allied fields under the residency training program;
3. Conduct research in various fields of medical science and;
4. Participate in community development through civic action programs.

The VMMC is under the administrative supervision of the Secretary, Department of National Defense (DND), through the Administrator of PVAO. Since 2003, Dr. Antonio B. Sison heads the about 1,464 personnel complement of the agency.

B. Financial Highlights

For the calendar year 2005, the VMMC received a total allotment of ₱568,637,356.00 in addition to the Continuing Appropriations of ₱11,498,887.93. Of the total amount, ₱578,636,070.78 was expended leaving a balance of ₱1,500,173.15. Comparative assets, liabilities, government equity and sources and application of funds are shown below:

<u>Group of Accounts</u>	<u>2005</u>	<u>2004</u>
Assets	P 577,166,321.01	P 591,081,079.04
Liabilities	40,805,613.13	73,306,108.61
Government Equity	536,360,707.88	517,774,970.43
 <u>Sources and Application of Funds:</u>		
Allotment	580,136,243.93	555,817,265.75
Expenditures	578,636,070.78	542,040,343.43

C. Scope of Audit

A financial and compliance audit was conducted on the accounts and operations of the agency for the calendar year 2005. The audit included, among others, the determination of the fairness of the presentation of the agency's financial position, ascertain the reliability of the accounting records and reports, evaluation of internal control system on the purchases and issuances of supplies and materials, drugs and medicines and medical, dental and laboratory supplies, and such other procedures considered necessary.

D. Auditor's Report

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the agency due to unreconciled balances of Property, Plant and Equipment and Inventories with a net difference of ₱34,596,724.56 and P2,647,573.35, respectively; the allowances for depreciation for Hospital and Health Centers costing P87,108,819.53 were insufficient, while no allowances for depreciation were provided for Other Structures costing P4,302,452.10; and the balance of the Other Deferred Credits of ₱15,076,108.86 is unreliable due to incomplete documentation to support the same.

E. Observations and Recommendations

The significant observations and the corresponding recommendations are cited below:

1. Balances of the General and Subsidiary Ledgers of some receivable accounts recorded in the Regular Agency (RA) and National Government (NG) books disclosed net unreconciled balances of ₱43,054.59, thus, casting doubts on their reliability.

We recommend that management require the Accountant to complete the reconciliation of the General Ledger (GL) and Subsidiary Ledger (SL) balances of the affected accounts to come up with reliable balances.

2. Out of the balance of account *Due from NGAs*, ₱5,591,541.25 pertains to prepayments made to the Procurement Service-Department of Budget and Management (PS-DBM), which are still outstanding despite deliveries made totaling P5,016,257.50, thus, casting doubts on the reliability of the account balance.

We recommend that management require the Property and Supply Division to submit complete liquidation documents to the Accounting Division as basis of recording deliveries made by PS-DBM, and henceforth, to regularly submit similar documents for future deliveries.

3. The balances of the accounting and property records on Inventories differed by P2,647,573.35, thus, casting doubts on their reliability.

We recommend that management require the Accounting and the Property Supply Divisions to reconcile their records and to make the necessary adjustments.

4. The balance of Advances to Contractors of P2,517,445.02 remained outstanding despite completion/delivery of projects/items to which it pertains, thus, casting doubts on the existence and validity of the account balance.

We recommend that management require the Accountant to analyze these outstanding Advances to Contractors and to determine why they still remain outstanding.

5. The balances of various Property, Plant and Equipment (PPE) accounts showed a net difference of P34,596,724.56 between the accounting and property records, thus, casting doubts on their reliability.

We recommend that management regularly update and reconcile the accounting and property records pertaining to PPE so that any difference could be immediately corrected.

6. Land containing an area of 549,120 square meters, valued at ₱133,526,521.79 and on which the VMMC is situated, remained untitled despite the lapse of years since its award by the government in 1982.

We recommend that management pursue their efforts in causing the immediate issuance of title in favor of VMMC pursuant to Proclamation No. 2244.

7. The allowances for depreciation for Hospital and Health Centers costing P87,108,819.53 were insufficient, while no allowances for depreciation were provided for Other Structures costing P4,302,452.10, thus, overstating the pertinent PPE accounts while understating the expense accounts.

We recommend that management exert all efforts to provide sufficient depreciation to all depreciable assets pursuant to the NGAS.

8. The balance of the Other Deferred Credits of ₱15,076,108.86 is unreliable due to incomplete documentation to support the same.

We recommend that management require the Accountant to properly document the balance of the account and to effect adjustments to reclassify the errors from the *Other Deferred Credits* to *Due to the National Treasury*.

It is worthy to note that the Agency is consistently prompt in the liquidation of cash advances granted to disbursing officers with only P32,363.27 outstanding balance as at year-end.

Further, Accounts Payable amounting to ₱5,380,198.90 which were outstanding for more than two years were already reverted to the Cumulative Result of Operations of the National Government.

F. Implementation of Prior Years' Audit Recommendations

The agency fully implemented four of the ten recommendations contained in CY 2004 Annual Audit Report and six were partially implemented. The adjustments taken up in the various journal entry vouchers, to correct the previous findings, rendered the fair presentation of some of the accounts affected. The six partially implemented ones are reiterated in Part II of this report.