

EXECUTIVE SUMMARY

A. Introduction

By virtue of Republic Act (RA) No. 9157 enacted by the Senate and House of Representatives of the Philippines on August 11, 2001, the University of Rizal System (URS) was established by integrating the Rizal State College and its extension campuses in Angono, Binangonan, Pililla and Rodriguez, the Rizal Polytechnic College and its extension campus in Cainta and the Rizal Technological University – Antipolo Annex.

The URS primarily offers higher professional and technical instruction and training in science and technology and promotes research, extension, and production services, advanced studies and specialized training in all fields deemed relevant to the development goals of Rizal Province. Likewise, the University adopts public elementary and secondary schools to serve as pilot centers for innovative teaching and learning strategies and approaches so operated and maintained under the Department of Education, Culture and Sports (DECS).

As a State University in the field of science and technology, it is committed to produce competent and valuable graduates in agriculture, engineering, science and technology, culture and arts, teacher and business education through responsive instruction, research, extension and production services. In 2018, the URS produced professionals in the recent Professional Regulation Commission (PRC) Licensure Board Examinations in various fields, as follows:

Profession	Number of Board Passers
Agricultural Engineer	3
Agriculturist	21
Certified Public Accountant	5
Civil Engineer	55
Electrical Engineer	35
Electronics Technician	23
Electronics Engineer	22
Fisheries Technologist	1
Forester	4
Guidance Counselor	1
Professional Teacher-Elementary	135
Professional Teacher-Secondary	723
Master Electrician	25
Master Plumber	3
Mechanical Engineer	30
Nursing	2
Psychometrician	16
Social Worker	32

The governance of the URS is bestowed on the Board of Regents chaired by the Commissioner of the Commission on Higher Education (CHED), Dr. Lilian A. De Las Llagas, vice-chaired by the University President, Dr. Marita R. Canapi and other members, who are representatives of various sectors in the country. The President officiates over the affairs, operations and general administration of the URS with the assistance of three designated Vice Presidents (VPs), namely, Dr. Nancy T. Pascual - Vice-President for Administration and Finance, Dr. Flordeliza R. Peñaranda - Vice-President for Academic Affairs and Dr. Namerod F. Mateo – Vice-President for Research Development, Extension and Production.

For the year 2018, the URS had a total manpower of 944, broken down as follows:

Campuses	Faculty		Non-Teaching		Total
	Permanent	Temporary/ Part-timer	Permanent	Contractual/ Casual/Job Order	
Angono	27	5	2	11	45
Antipolo	30	14	3	15	62
Binangonan	48	12	2	19	81
Cainta	17	0	3	10	30
Cardona	8	4	1	11	24
Morong	202	21	56	105	384
Pililia	34	5	4	14	57
Rodriguez	39	10	4	14	67
Tanay	76	9	53	25	163
Taytay	11	10	3	7	31
Total	492	90	131	231	944

The audit covered the accounts, operations and financial transactions of the URS with ten campuses for Calendar Year 2018. The audit was conducted to: (a) verify 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 years’ audit recommendations.

B. Financial Highlights

The URS financial condition and results of operations for CY 2018 with comparative figures for CY 2017 are shown below and in details in the attached audited financial statements:

	2018	2017	Increase (Decrease)
Financial Position			
Assets	₱ 838,643,209.33	₱ 789,559,809.13	₱ 49,083,400.20
Liabilities	190,573,526.92	213,295,211.67	(22,721,684.75)
Net Assets/Equity	648,069,682.41	576,264,597.46	71,805,084.95

Results of Operations	2018	2017	Increase (Decrease)
Income	₱ 680,105,030.08	₱ 605,053,008.12	₱ 75,052,021.96
Expenses	603,284,495.73	558,649,639.10	44,634,856.63
Net Income	76,820,534.35	46,403,369.02	30,417,165.33

On the other hand, out of the total budget of ₱489,417,000.00 of the University under CY 2018 General Appropriation Act (GAA), ₱485,072,018.00 of which was received by URS and ₱467,161,596.89 was obligated during the year, as follows:

Allotment Class/Source	Allotment Received	Obligations	Unobligated Balances
Personnel Services	₱397,091,908.00	₱391,459,391.81	₱5,632,516.19
Maintenance and Other Operating Expenses	49,108,732.00	47,844,689.94	1,264,042.06
Capital Outlay	<u>38,871,378.00</u>	<u>27,857,515.14</u>	<u>11,013,862.86</u>
Totals	<u>₱485,072,018.00</u>	<u>₱467,161,596.89</u>	<u>₱17,910,421.11</u>

Likewise, the Board of Regents (BOR) approved the Budget and Financial Plan of the URS amounting to ₱260,252,020.00 from Internally Generated Fund and Business Type Fund, wherein the amount of ₱156,496,488.73 was obligated, leaving a balance of ₱103,755,531.27 at year-end.

C. Scope of Audit

The audit covered the operations of the University of Rizal System for CY 2018. It was conducted in accordance with applicable laws, rules and regulations and Philippine Public Sector Standards on Auditing (PPSSA). The audit was also done to: (a) ascertain the propriety of financial transactions and compliance of the University with the prescribed rules and regulations; and (b) verify the level of assurance that may be placed on Management's assertions on the financial statements (FS).

D. Audit Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements for the year ended December 31, 2018 in view of the following noted deficiencies as stated in the Independent Auditor's Report:

1. The recorded balances of the Property, Plant and Equipment (PPE) accounts, with a net book value of ₱399,761,949.83 as of December 31, 2018 are not reliable due to:
 - a. unrecorded items of PPE such as land, buildings and structures, and donated equipment; and
 - b. unreconciled discrepancy totaling ₱738,061.24 that exist between the accounting and property records of the University due to non-preparation and reconciliation

of Report on Physical Count of Property, Plant and Equipment (RPCPPE) and Inventory and Inspection Report on Unserviceable Property (IIRUP) Reports, contrary to Section 63 of Presidential Decree No. 1445 and Philippine Public Sector Accounting Standards (PPSAS) No. 17, thus affecting the correctness and reliability of the said account balances.

2. Cash advances amounting to ₱15,354,522.24 remained unliquidated as of year-end, contrary to COA Circular No. 97-002 dated February 10, 1997, thus exposing the funds in the custody of the accountable officers to possible risks of misuse and/or misapplication and proper accounting of cash and related expense accounts was not immediately made. Also, cash advances were not classified to their proper accounts as prescribed under COA Circular No. 2015-007 dated October 22, 2015, resulting in the misstatement of affected accounts in the financial statements of the URS.
3. The year-end balance of Due to NGAs account amounting to ₱64,893,166.83, as presented in the Statement of Financial Position, is unreliable due to:
 - a. unreconciled differences totaling ₱5,430,427.86 between the University Subsidiary Ledgers and Other National Government Agencies records;
 - b. project that is terminated with final liquidation report having excess balance of ₱41,640.63, which was not yet returned to the Source Agency;
 - c. projects that the recipients are no longer existing; and
 - d. projects that the status of implementation cannot be determined because of the failure of the project implementors to submit to the COA the status of project implementation as of December 31, 2018, contrary to the provisions of COA Circular No. 94-013 and Section 63, Chapter 6 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.
4. The year-end balance of the Cash-Collecting Officers account of the University amounting to ₱469,334.64 is doubtful due to its discrepancy with the balance of undeposited collections appearing in the Report of Collections and Deposits as of December 31, 2018, contrary to Sections 69(1) and 111(2) of Presidential Decree (PD) No. 1445. Moreover, ₱408,614.64 of this account has remained dormant in the books for more than three years already.

For the exceptions cited above, we recommended that the University President:

1. a. instruct the concerned officials of Supply and Property Management Office (SPMO) to conduct the actual inventory of buildings and other structures and parcels of land, and the Accounting Division to account and record such property

at fair value. Also, fully depreciated buildings but still in use or serviceable should be fully disclosed in the Notes to Financial Statements, while the residual value of said property should be properly presented in the Statement of Financial Position, pursuant to Section 63 of PD No. 1445 and PPSAS No. 17;

- b. direct the Inventory Committee to reconcile the discrepancies noted by the Audit Team amounting to ₱738,061.24 and submit the properly and completely accomplished RPCPPE and IIRUP for reconciliation with the records of Accounting and Supply Offices;
 - c. direct the Inventory Committee in coordination with Campus Director and Supply Officer of Angono to include the donated equipment in IIRUP so that the Accounting Office can fully disclosed the items in the Notes to Financial Statements; and
 - d. create an Appraisal Committee to appraise or determine the fair value of parcels of land, buildings and other structures, in compliance with PPSAS No. 17 and Section 6.2 of COA Circular No. 2015-002, which should be considered by the Accountant in recording said account to fairly present the correct balances of PPE accounts in the financial statements of URS.
2. a. direct the University Accountant to demand immediate liquidation/settlement of unliquidated cash advances of concerned Accountable Officer, before processing of additional cash advance;
 - b. require the University Accountant to issue a certification stating that previous cash advances of each accountable officer have been liquidated and accounted for in the books before granting another cash advance, and effect the reclassification entries for the erroneous recording of the cash advances for special purpose/time bounded undertakings charged to Advances for Payroll account;
 - c. ensure that cash advances with special purpose/time bounded undertakings are granted only to duly designated special disbursing officer or employees, and direct the University Accountant to stop the practice of allowing the transfer of cash advance from one Accountable Officer to another; and
 - d. strictly observe the rules and regulations on the grant, utilization and liquidation of cash advances as provided under COA Circular No. 97-002 dated February 10, 1997.
3. a. require the Accountant and the Project Implementors to strictly comply with paragraphs 4.9 and 6.7 of COA Circular No. 94-013 dated December 13, 1994 and GAM for NGAs, Volume I;
 - b. submit to the Audit Team, for audit purposes, the status of project implementation as of December 31, 2018, with supporting documents such as approved request for extension or supplementary Memorandum of Agreement extending the period of project implementation; and

- c. require the University Accountant to coordinate with the Accounting Office of Other NGAs with noted discrepancies per confirmation conducted by the Audit Team, and make an analysis of the accounts and necessary adjusting entries to reconcile the two balances of Due to NGAs account.
4.
 - a. direct the Head of the Finance and Administration Department to issue demand letters to the concerned accountable officers for the immediate settlement or deposit of the abovementioned undeposited collections. If warranted and supported with adequate evidence, withhold the salaries of the said accountable officers and/or initiate the filing of appropriate administrative and criminal charges against them, should they fail to settle or refuse to comply with the demand letter to be issued;
 - b. direct the University Accountant to make the necessary reclassification or adjusting journal entry for the balance of Cash-Collecting Officer account amounting to ₱408,614.64, to the Due from Officers and Employees account, if the undeposited collections is definitely established as shortage of the subject Accountable Officers (AOs) in order to reflect the correct balance of the said account in accordance with Sections 69(1) and 111(2) of PD No. 1445; and
 - c. instruct concerned officials from Administration and Finance Department of URS to strictly implement the aforementioned provisions of PD No. 1445 and improve URS's internal policies and procedures on the settlement of accountabilities of outgoing and retiring officials/employees; and emphasize the inclusion of persons responsible for those who approved the clearance of separated/reassigned officials/employees with unsettled obligations.

In addition, the following are the other significant observations and the corresponding recommendations:

1. Cash collected from refund of expenses in the amount of ₱557,976.04 that were charged to General Fund (Fund 101) were deposited to Fund 052 or Internally Generated Fund, instead of remitting the same to the Bureau of the Treasury (BTr), in violation of Executive Order (EO) No. 338, series of 1996 as implemented in Commission on Audit-Department of Budget and Management-Department of Finance (COA-DBM-DOF) Joint Circular No. 1-97 dated January 2, 1997 and Section 65.1 of Presidential Decree (PD) No. 1445, thereby overstating the cash account balances.

We recommended that the University President instruct the Accountant to:

- a. remit the amount of ₱557,976.04 to the BTr immediately in order to provide additional funds for the implementation of other priority projects of the national government; and pursuant to the above cited provision of EO No. 338 and Joint Circular of COA-DBM-DOF;

- b. comply strictly with EO No. 338 as implemented in COA-DBM-DOF Joint Circular No. 1-97 and Section 65.1 of PD No. 1445; and
 - c. henceforth, refrain from depositing refunds sourced from the General Fund, to the Revolving Fund of the URS.
2. The University of Rizal System (URS) submission of Billing and supporting documents to Commission on Higher Education (CHED) incurred delays ranging from 30 to 115 days, contrary to Section 14 of Republic Act No. 10931 and Section 8 of CHED-DBM Joint Memorandum Circular No. 2017-1A dated May 18, 2017, thus affects the cash position of the URS and could result in the delays of implementation of its projects, activities and programs.

We recommended that the President direct the UniFAST Focal Person to strictly comply with the above Joint Memorandum Circular No. 2017-1A of CHED and DBM on submission of billing statements and supporting documents, for timely processing and release of funds for implementation of projects, activities and programs of the URS.

Also, we recommended that the URS President instruct the UniFAST Focal Person to effectively coordinate with the Campus Registrars, Campus Officers of Office of Students Development Services (OSDS) and University Accountant to improve the University billing system/process that will address problems encountered in the preparation of billing statements.

3. Collections of the Campus Cashiers were not deposited intact daily or the next banking day from receipt thereof, contrary to Section 21 of the Manual on the New Government Accounting System (MNGAS) for National Government Agencies (NGAs), Volume I, thus exposed the funds to possible misuse.

We reiterated our recommendation that the URS President instruct the concerned officials to strictly comply with Section 21 of MNGAS for NGAs, Volume I by depositing all his/her collections intact and in full amount within the next banking day to the Authorized Government Depository Bank.

4. Disbursements for fuel, oil and lubricants amounting to ₱1,256,871.80 were not supported with a properly accomplished driver's trip tickets, purchase requests and purchase orders, contrary to COA Circular No. 77-61 dated September 26, 1977 and COA Circular No. 2012-001 dated June 14, 2012, thus the propriety of the claims could not be readily determined and the evaluation on the proper utilization and the reasonableness of fuel consumption of the vehicles of the URS could not be done.

We recommended that the President:

- a. direct the concerned employees/drivers to properly prepare the prescribed Trip Tickets on a daily basis and purchase requests; and
- b. instruct the University Accountant to stop processing payment for fuel, oil and lubricants if not supported by properly filled up driver's trip tickets, Purchase Requests, Purchase Orders and other proper and complete documentations that support the consumption of fuel for URS campuses maintenance, in order to determine the propriety of the claims, ensure that expenditures pertaining thereto are effectively controlled and properly accounted for, and to evaluate the efficiency of fuel consumption of the motor vehicles owned by the URS.

Otherwise, non-compliance therewith shall cause the disallowance of all related expenses in connection with the use of URS government vehicles pursuant COA Circular Nos. 77-61 and 2012-001.

5. Disbursement Vouchers, Bank Reconciliation Statements and Report of Collections and Deposits for the CY 2018 were not submitted within the prescribed period, contrary to Section 7.2.1 of the Rules on Regulations on Settlement of Accounts (RRSA) as prescribed under COA Circular No. 2009-006 dated September 15, 2009, Section 60, Chapter 19 of Government Accounting Manual for National Government Agencies, Volume I and Section 122(2) of Presidential Decree (PD) No. 1445, thus caused the delay in the audit process, and corrective measures for deficiencies noted, if any, may not be undertaken immediately by Management.

We recommended that the University President direct the Accountant and the Cashier to submit the Disbursement Vouchers, Bank Reconciliation Statements and Report of Collections and Deposits, within the prescribed period to facilitate timely audit of the accounts and transactions of URS.

6. The established GAD database of the University is insufficient and not updated to serve as basis for gender-responsive planning, programming and policy formulation as required under Item 4.4 of PCW-NEDA-DBM Joint Circular 2012-01, thus the real gender issues existing in the University might not have been identified and properly addressed. Moreover, the amount appropriated for the University GAD programs, projects and activities (PPAs) in CY 2018 was not fully utilized, leaving an unexpended balance at year-end of ₱14,558,676.25 or 54% of the total GAD appropriation of ₱26,773,350.00. Also, most of the related PPAs in the GAD Plan and Budget (GPB) were not implemented or partially implemented; hence the objectives of the program in promoting gender equality in the URS were not achieved.

We recommended that the University President:

- a. direct the Head of the URS GAD Center to maintain sufficient GAD database containing sex disaggregated data and updated gender-related statistics, and consider the same in identifying priority gender issues to be addressed during GAD planning in accordance with PCW-NEDA-DBM Joint Circular No. 2012-01;
- b. instruct the Heads of implementing departments/offices to ensure that GAD programs, projects and activities are implemented as planned to attain GAD objectives; and
- c. direct concerned URS Officials to maximize utilization/attribution of the GAD funds through mainstreaming gender perspective in the University programs, projects and activities to achieve the desired outcomes for GAD, in compliance with the pertinent provisions of the aforecited PCW-NEDA-DBM Joint Circular.

E. Status of Implementation of Prior Years' Audit Recommendations

Of the 23 audit recommendations contained in the 2017 and prior years' Annual Audit Report, nine were fully implemented, seven were partially implemented and seven were not implemented by the University.