EXECUTIVE SUMMARY

A. Introduction

The University of Eastern Philippines was first established in 1918, under the name, Catarman Agricultural School (CAS). It was renamed twice as Catarman Agricultural High School (CAHS) and Catarman National Agricultural High School (CNAHS). In 1957, it became the Samar Institute of Technology (SIT) and finally, by virtue of Republic Act No. 4126, which was approved on June 20, 1964, it was converted into the University of Eastern Philippines (UEP).

With the approval of Republic Act 8292, otherwise known as the “Higher Education Modernization Act of 1997,” two (2) CHED-Supervised Institutions (CSIs) in the province, namely: Laoang National Trade School and Pedro Rebadulla Memorial Agricultural College (PRMAC), were integrated and became external campuses of the University effective January 1, 2000.

Pursuant to Section 2, R.A. No. 4126, the University shall primarily give technical and professional training, advanced instruction in literature, philosophy, the science, and the arts, besides providing for the promotion of scientific and technological researches and democratic access to education to poor but deserving students not only in Northern Samar but also in other parts of the country.

B. Organizational Set-up

The governing board of the University is the Board of Regents. Dr. Mar P. De Asis, Ph.D, is the incumbent President of the University who was appointed on July 2007. He is supported by the following key personnel:

- Dr. Baltazar G. Martires - Vice President for Administration
- Dr. Mindanilla B. Broto - Vice President for External Affairs
- Dr. Felisa L. Sanico - Vice President for Academic Affairs
- Dr. Rolando A. Delorino - Vice President for Research, Extension & Training
- Dr. Juanito E. Tentativa - Executive Director, UEP-Catubig External Campus
- Dr. Myrna A. Poso - Executive Director, UEP-Laoang External Campus

The University is complemented with 852 personnel composed of 598 regular, 104 special lecturers, 55 casuals and 95 job order employees.
C. Financial Highlights

For calendar year 2012, the University received a total allotment from the National Government under R.A.No.10155, otherwise known as the “General Appropriations Act of Fiscal Year 2012” amounting to P273,000,450.00. Total obligations amounted to P273,000,450.00, thereby leaving no balance. Notice of Cash Allocation (NCA) received from DBM amounted to a total of P254,928,317.21. On the other hand, a total income of P105,815,213.69 was derived from tuition and other school fees, and from various business operations.

Comparative figures of the Agency’s assets, liabilities, equity, and income for this calendar year and that of the previous year are shown below:

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<thead>
<tr>
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<th>2012</th>
<th>2011</th>
<th>% of Inc./(Dec.)</th>
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<tbody>
<tr>
<td>Assets</td>
<td>464,190,555.47</td>
<td>438,518,115.23</td>
<td>5.85%</td>
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<tr>
<td>Liabilities</td>
<td>29,774,036.26</td>
<td>13,714,076.44</td>
<td>117.10%</td>
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<tr>
<td>Equity</td>
<td>434,416,519.21</td>
<td>424,804,038.79</td>
<td>2.26%</td>
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<tr>
<td>Income</td>
<td>378,668,568.54</td>
<td>357,864,483.22</td>
<td>5.81%</td>
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</tbody>
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D. Scope of Audit

An audit was conducted on the accounts and operations of the University of Eastern Philippines for calendar year ended December 31, 2012. The audit was aimed to ascertain the propriety and validity of financial transactions as well as the reliability of the accounts as presented in the financial statements. The Agency’s compliance with government accounting and auditing policies, laws, rules and regulations was also looked into.

E. Auditor’s Report

The auditor rendered an adverse opinion on the fairness of the presentation of the Financial Statements due to the effects on these statements of the observations presented below.

F. Observations and Recommendations

The following are the significant observations with the corresponding recommendations:

1. Reliability of the balance of the agency’s Cash in Bank - LCCA account of P55,904,146.14 as of December 31, 2012 could not be ascertained in view of: (i)
variances between the General Ledger and the Subsidiary Ledger balances of individual accounts amounting to P589,131.42; (ii) errors which remained unadjusted in the books totaling P3,239,046.65; and (iii) stale checks which were not cancelled and remained unadjusted.

We recommend that management require the Accountant to: (i) reconcile the variance between the general ledger and subsidiary ledger balances of the Cash In Bank - LCCA account; (ii) effect the corrections on the errors as reflected in the Bank Reconciliation Statements; and (iii) cancel all stale checks and effect the corresponding adjustments.

2. Cash advances granted to UEP officials and employees under the accounts Due from Officers and Employees, Cash-Disbursing Officers and Petty Cash Fund totaling P12,530,907.32 remained unliquidated as of the end of the year contrary to the pertinent provisions of PD 1445, Executive Order No. 298 and COA Circular No. 97-002.

We recommend that management should strictly (i) require the concerned officials and employees to liquidate their outstanding cash advances pursuant to pertinent provisions of PD 1445, COA Circ. No. 97-002 and Executive Order No. 248 (ii) require the Accountant to monitor regularly the grant and liquidation of cash advances and issue demand letters and (iii) comply with the rule that no additional cash advances should be given unless a proper accounting/settlement of the previous one is made.

3. The financial statements as of December 31, 2012 included accounts with abnormal balances involving a total of P1,200,462.05 in negative debit balances and P5,389,346.14 in negative credit balances. This condition is contrary to Section 73 of the NGAS Manual for NGAs, Volume I, resulting in misleading information for the users of these statements and affects the fair presentation of the balances of these accounts.

We recommend that management strictly require the Accountants to conduct in-depth analysis of the accounts to determine errors committed and to effect adjusting entries in the books duly substantiated/supported with working papers and pertinent documents.

4. Reliability of the balances for a great number of accounts for UEP Laoang and Catubig Campuses could not be ascertained due to: (i) variances noted between the GL balance of the UEP Main Campus books and the balance of these accounts in the External Campus books in a total amount of P12,532,976 (Laoang) and P38,777,917 (Catubig); (ii) the negative or abnormal balances posted for certain accounts amounting to P1,709,433 (Laoang) and P1,993,582 (Catubig); and (iii) presence of External Campus’ accounts in the Main Campus books with no counterpart in the External Campus books, inconsistent with Section 73 of the NGAS Manual for NGAs, Vol. I.

We recommend that management require the Accountants of the Main Office as well as the External Campuses to: (i) conduct in-depth analysis of the accounts to determine errors committed; (ii) effect adjusting entries in their books duly substantiated/supported with working papers and pertinent documents to come up with reconciled and correct
balances of accounts affected, and (iii) conduct reconciliation of balances of accounts between UEP Main and External Campuses books regularly.

5. Thirty two (32) disbursement vouchers for the CPAR Project amounting to ₱92,648.00 were not completely supported with required documents, or the documents attached could not be considered valid, inconsistent with Section 4(6) of PD 1445 and Sections 28 and 30 of the NGAS Manual for NGAs, Volume I, which renders the validity of the said disbursements doubtful. Moreover, some procurements related thereto were made in violation of the pertinent provisions of the IRR of RA 9184.

We recommend that management strictly (i) require the Accountant and the Project Leader (ii) to ensure that all disbursements for the project implementation be supported with complete and valid documents pursuant to Section 4(6) of PD 1445 and pertinent provisions of NGAS Manual for NGAs, Vol. I and (ii) adhere with the standards set in RA 9184 and its IRR for the conduct of its procurements.

6. Seventeen (17) disbursement vouchers for the Provincial Institute of Agriculture (PIA) and Provincial Institute of Fisheries (PIF) projects amounting to ₱249,578.07 and ₱250,000.00, respectively, were not supported with required documents, or the documents attached cannot be considered valid, inconsistent with Section 4(6) of PD 1445, Sections 28 and 30 of the NGAS Manual for NGAs, Volume I, and pertinent provisions of COA Circular No. 94-013, thus, validity of the said disbursements could not be ascertained.

We recommend that management (i) strictly require the Accountant and the Project Coordinator to ensure that all disbursements be supported with complete and valid documents pursuant to Section 4(6) of PD 1445, Section 28 and 30 of the NGAS Manual for NGAs, Volume I, (ii) keep separate subsidiary records for the transferred funds for each project treated as trust funds and (iii) ensure that all related reports are approved by the Head of the Agency, pursuant to pertinent provisions of COA Circular No. 94-013 dated December 13, 1994.

7. Accounts Payable recorded in the Main Office books of ₱2,587,347.10, included ₱316,080.14 which remained outstanding for more than two (2) years, and some payables which are not supported by valid claims or against which no actual claims has been filed, contrary to Section 98 of PD 1445 and Sec. 3.2 of COA Circ. No. 99-004.

We recommend that management require the Accountant to (i) effect reversion to the unappropriated surplus of those payables which remain outstanding for over two (2) years and those without valid claims, pursuant to the pertinent sections of PD 1445 and COA Circ. No. 99-004 and (ii) undertake a review/analysis of those payables which are aged below 2 years and for which no documents are available to support their validity and accordingly effect the adjustments for their reversion to the unappropriated surplus.

8. The Due to Other NGAs account balance of ₱21,050,253.42 as of December 31, 2012 is unreliable due to absence of adequate subsidiary ledgers comprising the account
contrary to Section 4, NGAS Manual, Volume I and Section 6.3 of COA Circular No. 94-013 and the various errors in recording some transactions totalling P1,435,953.29, affecting the fair presentation of the account in the financial statements.

We recommend that management require the Accountant to: (i) draw a JEV to take up the unrecorded fund transfer of P25,000; (ii) effect adjustments on the various erroneous recordings of certain transactions; (iii) remit any unused balance of fund transfers for certain projects to the respective Source Agencies; and (iv) maintain adequate subsidiary record for each source agency and per project comprising the Due to Other NGAs account.

9. The accounts Cash-Disbursing Officers and Due from Officers and Employees are still used instead of Payroll Fund (Code 106) and Advances to Officers and Employees (Code 148) respectively, contrary to the provisions of COA Accounting Circular No. 2006-001 and Section 3.5, of COA Accounting Circular Letter No. 2007.

We recommend that management direct the Accountant to correct the above-mentioned misclassified accounts by converting the old account Cash – Disbursing Officer (Code 103) to Payroll Fund (Code 106) and the Due to Officers and Employees (Code 123) to Advances to Officers and Employees (Code 148), pursuant to Section 3.5 of COA Circular Letter No. 2007 dated January 19, 2007.

10. Unreleased checks at the end of the month were not included in the Report of Checks Issued and in the Check Disbursements Journal for the month these were actually issued but were reported only in the subsequent months, contrary to Sections 2 and 3 of NGAS Manual, Volume II, and COA GAFMIS Circular Letter No. 2002-001.

We recommend that management require the Cashier and the Accountant to report all checks issued in the Report of Checks Issued and Check Disbursements Journal in the month the checks are issued pursuant to Sections 2 and 3 of the NGAs Manual, Volume II and COA GAFMIS Circular Letter No. 2002-001.

11. Authority of the Executive Director of Laoag External Campus to enter into contracts for infrastructure projects totalling P8,783,477.00 is open to question as this was not clearly defined in her designation nor delegated by the Board of Regents (BOR), inconsistent with Section 4(f), Rule V of RA 8292, thus validity of the contracts could not be ascertained.

We recommend that management should ensure that contracts are entered into in accordance with the provision set in Section 4(f) of RA 8292.

These Observations and Recommendations were discussed with management in an Exit Conference conducted on July 30, 2013 and their comments were incorporated in the report, where appropriate.
G. Compliance with Tax Laws

Management complied with the tax provisions specifically on the withholding tax on employees’ salaries and on goods and services paid. Income taxes on payment of goods and services were also imposed. Due to Bureau of Internal Revenue (BIR) account’s total debits and credits for the calendar year 2012 amounted to P27,337,028.64 and P27,043,486.84, respectively. The balance of P458,890.82 represents unremitted taxes to the BIR as of December 31, 2012, which included balance forwarded from prior years.

H. Statement of Audit Suspensions, Disallowances and Charges

The total amount of suspensions, disallowances and charges as of December 31, 2012 is P313,930.00, P341,568.19 and P0, respectively. However, there are additional suspensions for CY 2012 transactions which are issued the corresponding Notices already in the ensuing year.

I. Implementation of Prior Years’ Recommendations

Out of the seven (7) recommendations contained in CY 2011 Annual Audit Report, one (1) was fully implemented, three (3) were partially implemented and three (3) were not yet implemented. For CY 2010 audit recommendations, one (1) remained not implemented while for CY 2009 and CY 2008 audit recommendations, one (1) remain unimplemented, respectively, for each year.