

EXECUTIVE SUMMARY

A. INTRODUCTION

The University of the Philippines (UP) was established on June 18, 1908 by Republic Act (RA) No. 1870 to provide advanced instruction in literature, philosophy, the sciences and arts, and to give professional and technical trainings to every qualified student regardless of age, sex, nationality, religious belief, or political affiliation.

The first three academic units organized were the Colleges of Fine Arts, Medicine and Surgery, and Agriculture. Throughout its history, UP played a leading role in responding to the needs of the nation, stressing academic excellence and quality learning. This role finds expression in the University's principal functions: instruction, research and community service.

By the passage of RA No. 9500 known as "The University of the Philippines Charter of 2008", UP was declared the National University.

UPS now has seven constituent campuses based in Quezon City, Laguna, Manila, Visayas, Mindanao, the Open University and Baguio.

- UP Diliman (UPD) located at the 493-hectare flagship campus in Quezon City. It offers arts and sciences programs as well as professional programs such as engineering, law and accounting. It also has a campus in San Fernando, Pampanga and in Olongapo. It was declared a constituent university (CU) on April 23, 1982 and started its operations as CU in April 26 of the same year.
- UP Los Baños (UPLB) located at the foot of Mt. Makiling, started out as the College of Agriculture in 1909. It is one of the first units to be organized after UP's founding in 1908. The College evolved into a separate Constituent University in 1972.
- UP Manila (UPM) on Taft Avenue, is the country's center of excellence in the health sciences, including health professional education, training and research. Originally established on December 1, 1905 as the Philippine Medical School and later called as the UP College of Medicine and Surgery in June 10, 1907. It was renamed UP Manila in 1983.
- UP Visayas (UPV) with campuses in Iloilo City, Miag-ao, Cebu and Tacloban, was formally established as a Constituent University in the UP System in 1979. The Campus is noted for its College of Fisheries.
- UP Mindanao (UPMin) located at the 240-hectare campus at Bago Oshiro in Davao, was created under Republic Act No. 7889. A resolution of the Board of Regents adopted UP Mindanao as the sixth member of the UP System on March 23, 1995. Its main campus is located in Davao proper and in Mintal, Davao City.

- UP Baguio (UPB), is located in Northern Luzon. It was formally established as the 7th Constituent University of the UP System as approved by the BOR in its meeting on December 2, 2002. With UP Baguio as the hub of many cultural activities in Northern Luzon, it has contributed to the development of the arts and the nurturing of the region's cultural heritage.
- UP Open University (UPOU), housed in a building on a 20-hectare lot within UPLB, evolved from the UP Distance Education Program. Its creation was approved by the Board of Regents on February 23, 1995 as the fifth constituent university of the UP System.

The Board of Regents is the highest policy-making body of the University of the Philippines System (UPS), which is composed of 12 members, as follows:

- | | | |
|---------------|---|--|
| Chairman | - | Chairman, Commission on Higher Education (CHED) |
| Vice-Chairman | - | President, University of the Philippines |
| Regents | - | Chairman, Senate Committee on Education |
| | - | Chairman, House Committee on Education |
| | - | President, UP Alumni Association |
| | - | Faculty Regent |
| | - | Student Regent |
| | - | Five Regents appointed by the President of the Philippines |

The Executive Officers of the UPS is headed by the University President who is assisted by five Vice-Presidents and a University Secretary.

As of December 31, 2010, the UPS had a total personnel complement of 10,673, of which 4,345 are faculty members and 6,328 are Administrative and Research and Extension Program Staff (REPS).

B. OPERATIONAL HIGHLIGHTS

The following are among the major accomplishments of the UPS for AY 2010-2011:

| Particulars | Target | Accomp. | % |
|--|---------------|----------------|----------|
| Advanced & Higher Education Services | | | |
| Number of Weighted Full-Time Equivalent Students | | | |
| Pre-Baccalaureate | 1,438 | 1,438 | 100% |
| Baccalaureate | 34,740 | 34,740 | 100% |
| Post-Baccalaureate | 518 | 518 | 100% |
| Juris Doctor | 720 | 720 | 100% |
| Doctor of Medicine, Dentistry, Veterinary Medicine | 1,398 | 1,398 | 100% |
| Masters | 7,009 | 7,009 | 100% |
| Doctor of Philosophy | 1,109 | 1,109 | 100% |

| Particulars | Target | Accomp. | % |
|--|---------------|----------------|----------|
| Number of Weighted Graduates | | | |
| Pre-Baccalaureate | 269 | 269 | 100% |
| Baccalaureate | 6,334 | 6,334 | 100% |
| Post-Baccalaureate | 329 | 329 | 100% |
| Juris Doctor | 119 | 119 | 100% |
| Doctor of Medicine, Dentistry, Veterinary Medicine | 243 | 243 | 100% |
| Masters | 1,626 | 1,626 | 100% |
| Doctor of Philosophy | 183 | 183 | 100% |
| Gross Graduation Rates | | | |
| Pre-Baccalaureate | 23% | 23% | 100% |
| Baccalaureate | 19% | 19% | 100% |
| Post-Baccalaureate | 66% | 66% | 100% |
| Juris Doctor | 20% | 20% | 100% |
| Doctor of Medicine, Dentistry, Veterinary Medicine | 18% | 18% | 100% |
| Masters | 24% | 24% | 100% |
| Doctor of Philosophy | 18% | 18% | 100% |
| Faculty Highest Degree | | | |
| Faculty with Baccalaureate as Highest Degree | 1,711 | 1,711 | 100% |
| Faculty with Masters as Highest Degree | 1,666 | 1,666 | 100% |
| Faculty with Doctorate as Highest Degree | 1,226 | 1,226 | 100% |
| % of Faculty with Baccalaureate as Highest Degree | 37% | 37% | 100% |
| % of Faculty with Masters as Highest Degree | 36% | 36% | 100% |
| % of Faculty with Doctorate as Highest Degree | 27% | 27% | 100% |
| Licensure Passing Rates (Average per Year) | | | |
| Agriculture, Forestry, Fisheries | 93% | 92% | 99% |
| Education, Science and Teaching Training | 98% | 98% | 100% |
| Engineering, Technology and Information Technology | 87% | 89% | 102% |
| Natural Science and Mathematics | 94% | 95% | 101% |
| Business and Related | 77% | 83% | 108% |
| Medical and Allied | 95% | 93% | 98% |
| Other Professions | 90% | 87% | 97% |
| Average of All Professions | 94% | 92% | 98% |
| Number of Externally-Funded (Non-UP Sponsors) | | | |
| Pre-Baccalaureate | 223 | 223 | 100% |
| Baccalaureate | 1,636 | 1,636 | 100% |
| Post-Baccalaureate | 62 | 62 | 100% |
| Masters | 447 | 447 | 100% |
| Doctor of Philosophy | 213 | 213 | 100% |
| Education Level not indicated | 4 | 4 | 100% |
| Research Services | | | |
| Number of Research Outputs Published | | | |
| In Refereed International Journals | 183 | 183 | 100% |
| In Refereed National Journals | 205 | 205 | 100% |

| Particulars | Target | Accomp. | % |
|---|---------|---------|------|
| Number of Research Outputs Disseminated or Patented | | | |
| In International Fora/Conferences | 174 | 174 | 100% |
| In National Fora/Conferences | 595 | 595 | 100% |
| Number of Inventions Patented | 43 | 43 | 100% |
| Number of Copyrights Registered | 14 | 14 | 100% |
| Number of Externally-Funded Research Projects | 646 | 646 | 100% |
| Extension Services | | | |
| Number of Persons Trained | 111,235 | 111,235 | 100% |
| Number of Person-Days Trained | 21,295 | 21,295 | 100% |

C. FINANCIAL HIGHLIGHTS

The UPS has a total appropriations of ₱6,916,801,000.00 per General Appropriations Act (GAA) of CY 2010 or RA 9970. Allotments received including those carried over to CY 2010 totaled ₱8,194,214,880.40 with obligations incurred of ₱7,931,238,004.84, leaving a balance of ₱ 262,976,875.56.

I. Financial Condition:

| | 2010 | 2009 | Increase (Decrease) |
|-------------------|---------------------|--------------------|---------------------|
| Total Assets | ₱ 40,086,563,678.93 | ₱36,328,461,037.68 | ₱3,758,102,641.25 |
| Total Liabilities | 15,597,461,673.00 | 13,125,151,108.05 | 2,472,310,564.95 |
| Government Equity | 24,489,102,005.93 | 23,203,309,929.63 | 1,285,792,076.30 |

II. Sources and Application/Utilization of Funds:

| | 2010 | 2009 | Increase (Decrease) |
|----------------------------------|---------------------------|--------------------------|--------------------------|
| SOURCES: | | | |
| Subsidy from National Government | ₱ 7,361,267,673.85 | ₱6,089,418,130.04 | ₱1,271,849,543.81 |
| Other Income | <u>8,350,092,546.97</u> | <u>1,447,695,767.66</u> | <u>6,902,396,779.31</u> |
| TOTAL | ₱15,711,360,220.82 | ₱7,537,113,897.70 | ₱8,174,246,323.12 |
| APPLICATION: | | | |
| Personnel Services | ₱ 5,716,198,679.13 | ₱5,258,680,588.62 | ₱457,518,090.51 |
| MOOE | 9,089,028,657.01 | 2,036,779,875.59 | 7,052,248,781.42 |
| Financial Expenses | <u>33,354,516.02</u> | <u>26,886,454.75</u> | <u>6,468,061.27</u> |
| TOTAL | ₱14,838,581,852.16 | ₱7,322,346,918.96 | ₱7,516,234,933.20 |
| Excess Income over Expense | ₱ <u>872,778,368.66</u> | ₱ <u>214,766,978.74</u> | ₱ <u>658,011,389.92</u> |

D. SCOPE OF AUDIT

Our audit covered the accounts and operations of the UP for Calendar Year 2010. It 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.

E. INDEPENDENT AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of the presentation of financial statements of the University of the Philippines System as of December 31, 2010, in view of the deficiencies stated in the Independent Auditor's Report as discussed in detail in Part II of the report.

F. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

Below are the audit team's significant observations and the corresponding recommendations, which we discussed with the concerned management officials in an exit conference, conducted on August 2, 2011:

1. Laxity in collection and monitoring of revenues/receivables increased the risk that the ₱10.15 million income of the three UP campuses may not be realized, hence may deplete financial resources to finance programs and projects. (paragraphs 1-18)

We recommended that Management:

UP Diliman

- **strictly implement the guidelines on the student loan programs to prevent accumulation of outstanding receivables. Further, require the OSSS to:**
 - **implement strictly the "no pay no clearance" policy;**
 - **impose the corresponding penalties on delinquent student borrowers;**
 - **send demand letters to the students and their guarantors on their outstanding accountabilities; and**
 - **advise the Accounting Office that the unsettled amount of loans thereafter should be deducted from the salary of the UP employees who are co-debtors pursuant to their authorization in the Notarized Promissory Note.**

- **the Accounting Office:**
 - **determine the possibility of collecting the receivables which are more than ten years and request authority from the Commission on Audit for the write off of dormant accounts which can no longer be collected supported by the required documents pursuant to COA Circular No. 97-001 dated February 5, 1997;**
 - **deduct from the salaries of the co-debtors the amount of their obligation as per advice of the OSSS; and**
 - **maintain SLs for student borrowers, which shall be reconciled with the records of the OSSS every semester.**

UP Manila/PGH

- **create a Committee or designate an Office or individual to act as the focal/oversight body that will oversee the overall operations of the “Tiangge.” The focal body/person shall be responsible for the following:**
 - **update existing policies and guidelines on the operations of the “Tiangge” for approval of management, to include the following measures:**
 - **develop a system of “Tiangge” operations and draw the mechanics for efficient implementation. To simplify the flow of activities, consider dealing only with one Vendor Representative or “Tiangge” Coordinator to represent the participating vendors without prejudice to accessing individual vendors’ records for validation purposes;**
 - **determine and recommend to management for approval the amount of fees to be collected from the vendors/”Tiangge” Coordinator;**
 - **identify Offices and persons who will be involved in the operation and the role of each in the implementation process including financial procedures;**
 - **determine uniform length of time that may be allotted for each sponsoring department/office; and**
 - **ensure the security and safety of PGH, personnel, its clientele and the legitimate vendors thus, aside from the issuance of identification cards, consider daily log-in and log-out of the vendors thru the assigned guards on duty and make available only one entrance and exit gate for use of these vendors to facilitate monitoring of personnel movement.**

- **ensure that necessary records and reports are prepared to keep track of the “Tiangge” activities including but not limited to requests made, approval of requests, MOAs, logbooks or other vital schedules, records of earnings, expenditures, collections, timely remittances and penalties imposed, including those to be maintained by the vendors be made available to the COA for audit purposes. Let this condition be known to the vendors/ “Tiangge” Coordinator by stipulating the same in the MOA.**

UP Visayas - Iloilo

- **execute Leasehold Contracts with the lessees of fishponds at Batan in order to collect rentals from them; and**
 - **exhaust all legal remedies to recover the Batan property and if possible, impose sanctions over the illegal settlers.**
2. Lease of hospital equipment paid by the UPM-PGH out of the proceeds from patient fees thru a revenue-sharing scheme did not undergo proper bidding and continue to take effect despite expired contracts contrary to Rule XIV, Section 46 of the Revised Implementing Rules and Regulations of RA 9184 (IRR) and Section 529 of the Government Accounting and Auditing Manual (GAAM), Volume 1. Further, the leased equipment remains in the custody of the hospital even after maturity of the agreement. (paragraphs 19-30)

We recommended and Management agreed to:

- **subject all forms of equipment rental/lease to own to public bidding and to develop criteria for the selection of equipment and their providers;**
 - **pending the conclusion of the required bidding, renew the agreement with the equipment providers on a month to month basis. Incorporate in the renewed agreement the changes which are beneficial to both parties; and**
 - **the UP-PGH thru the Heads of medical units concerned to inform the companies/equipment providers to withdraw their equipment which are no longer in use by the hospital in order to get rid of responsibilities over their safekeeping and allow greater utilization of the spaces occupied by these equipment.**
3. The absence of an approved standard rate of income apportionment in the revenue-sharing scheme among the UPM-PGH, the End-user Department and the Equipment Distributors/Providers as a mode of payment for use of equipment together with other conditions of the MOAs failed to express the reasonableness of the terms of lease and rental rates used, thus, the advantage/s that the government derives therefrom could not be established. (paragraphs 31-35)

We recommended that Management:

- **develop a standard revenue-sharing scheme that will derive mutual benefits for the UP-H and the Equipment Provider/s; and**
 - **prepare a feasibility study based on previous history of leasing hospital equipment.**
4. Of the ₱27.19 million and US\$619,042.16 receivables uncollected for over 26 years from 66 faculty grantees who reneged in their contractual obligations to render the required period of return service to the UPV – Miagao, only ₱479,840.00 or 2% was collected during the year, due to its failure to impose the sanctions under Section 6.2.1 sub-par. a.3.b of the UP Faculty Manual, Section 6 of Local Fellowship Study Leave Agreement (LFSLA) and Section 7 of Foreign Fellowship Study Leave Agreement (FFSLA), thus, depriving the University the benefit from its investments on Faculty Development. (paragraphs 36-42)

We recommended that Management:

- **strictly impose the sanctions on UPV Reneging Fellows as provided under Section 6.2.1 sub-paragraph a.3.b of the UP Faculty Manual, and the provisions of Section 6 of LFSLA and Section 7 of FFSLA;**
 - **send demand letters to the reneging fellows and/or their families at their latest known addresses. Exhaust all legal remedies to collect/recover the amount spent for them; and**
 - **require the Office of the Vice-Chancellor for Academic Affairs (OVCAA) to exert extra effort in collecting refunds from reneging fellows, by communicating with their families or to the Phil. Embassy of the country where they are residing. For scholarships abroad require stricter provision like having a member of the family to guarantee the refunds of benefits enjoyed or the filing of cases for breach of contract.**
5. Procured scientific/high-end equipment valued at ₱47.14 million by UP Diliman remained unutilized for more than 30 days to more than one year after delivery and acceptance, in the absence of laboratory rooms/facilities where they will be installed due to delayed construction of the Department of Industrial and Mechanical Engineering Building implemented by the Department of Public Works and Highways (DPWH), thus, exposing the properties to risks of obsolescence/ damage and possible loss and renders the least assurance of an efficient procurement process. (paragraphs 43-60)

We recommended that Management:

- **commence procurement as long as the activity is included in the APP in accordance with Section 7 of R.A. 9184. Prior issuance of the SARO is not a pre-condition to the advertisement and/or posting of the invitation to apply for eligibility and to bid, in case of public bidding, or the posting of the notice of procurement, in case of the alternative methods of procurement (Section 4.1. GPPB Circular 02-2008 dated August 1, 2008);**
 - **revisit, review and update from time to time its APP in order that proper assessment of resource allocation and scheduling of the procurement activities could be undertaken; and**
 - **require the Office of the Campus Architect (OCA) to monitor the progress of the construction/completion of the IE and ME Building and submit a report to the Management so that proper coordination could be made to the DPWH.**
6. Terminated UPV-Miagao funded Research Projects of ten Researchers costing ₱583,236.87 were not refunded to the University which deprived other beneficiaries of the benefits that would have been derived from the research funds in violation of Section 9.2.3 (f and g) of UP Faculty Manual and UPV Research Bulletin No. 1, Volume IV. (paragraphs 61-71)

We recommended that:

- **the OVCRE submit the status of work accomplishments of the terminated research projects to determine whether they have met the 75% requirement of the work plan. Researchers with terminated research work who have not complied with the terms and conditions of the contract should be required to refund the full amount granted to them in accordance with Section 9.2.3 (g) of the University Faculty Manual; and**
 - **the UPV Legal Office to review the provisions of research contract and to include the sanctions as specified in the UP Manual.**
7. The UPV-Miagao OVCRE had no updates on the 51 researches costing ₱8.54 million, the research periods of which have already ended, indicative of non-compliance with the University Monitoring Evaluation policies stipulated under the UPV Research Bulletin No.1, Volume IV. (paragraphs 72-75)

We recommended that the OVCRE to comply with the following University Monitoring Evaluation policies and to:

- **require the Researchers to submit terminal reports two months after project completion;**

- **withhold the honoraria of project/study leader for the last six months for one year projects or 50% of the total amount of honoraria;**
 - **prohibit researchers with pending terminal reports to implement any newly funded project. Delay/withhold the processing of appointments of said research personnel;**
 - **require the grantees who failed to comply the terms and conditions of the Research Contract to return the full amount received. Furthermore, they shall be disqualified from all University grants; and**
 - **furnish the Office of the Auditor the status of Research Projects.**
8. The accuracy of the Cash In Bank, Local and Foreign Currency Accounts (CIB-LFCA) of the three UP Campuses totaling ₱2.64 billion and USD\$2.33 million cannot be determined due to a) absence of bank reconciliation statements (BRSs) and supporting documents for the ₱12.86 million (USD\$294,505.50) balance; b) the negative balance of ₱23.05 million (net), unrecorded fund transfers, interest and taxes on income; and d) erroneous entries which could not be adjusted due to the non-preparation of the BRSs, thereby adversely affecting the fair presentation of cash accounts in the financial statements. (paragraphs 76-90)

We recommended that Management:

- **require the Chief Accountant to prepare and submit to the Audit Team for verification the monthly BRSs for local and foreign currency accounts together with the supporting documents on the reconciling items, and to identify the deficiencies that gave rise to the negative balance of the account and effect necessary adjustments in the books in order to arrive at correct balances of the cash accounts.**

UP Diliman

- **thru the Chancellor or his authorized officials to approve all JEVs involving cash transactions.**

UP Manila

- **require the Cashier and the Chief Accountant to coordinate on the timely submission of advice to credit and debit transactions relating to payment of employees benefits and other urgent necessities.**
9. Lapses in internal control on the granting/liquidation of cash advances were observed in five UP campuses/units of which a total of ₱34.76 million unliquidated cash advances have been outstanding from 61 days to over ten years contrary to COA Circular No. 97-002 and Section 89 of PD 1445, resulting in overstatement of

Advances to Officers and Employees and understatement of affected expense accounts. (paragraphs 91-96)

We recommended that Management:

- **adhere strictly to the provisions of Section 89 of P.D. 1445 and COA Circular No. 97-002 dated February 10, 1997;**
- **issue notice or demand letters to all AOs to settle their accountabilities within the prescribed period. In case of failure to comply, strictly impose sanctions such as withholding of salaries or any money due to them pursuant to Section 9.3.2 of COA Circular No. 97-002 dated February 10, 1997 or course legal action through the Office of the Ombudsman for demand letters not acted upon;**
- **prohibit the granting of additional cash advances to those employees who failed to liquidate their previous cash advance; and**
- **request authority from the COA for the write-off of long outstanding/overdue accounts and other unsettled cash advances, which could no longer be collected in accordance with COA Circular No. 97-001 dated February 5, 1997;**

UP System

- **process the liquidation reports within a reasonable period of time such that at the end of the year, all these reports are recorded in the books; and**
- **the HRDO to determine the employment status of all AOs especially those availing of the faculty development scholarship programs and to coordinate with their counterparts in other UP constituent universities to enforce liquidation of outstanding cash advances.**

UP Manila

- **require the Chief Accountant to verify and update records of the AOs and make regular reconciliation to effect appropriate adjustments in the books, if any to determine the correct accountabilities of the AOs concerned; and**
- **require all immediate supervisors of AOs to monitor the submission of liquidation reports by the AOs.**

UP V – Tacloban

- **require the Accountant to identify the officers/employees accountable for the unsettled cash advances amounting to ₱511,740.40; and**

- **exhaust all remedies for the collection of the unliquidated cash advance of the two deceased employees. In case, the University has payables to the deceased, deduct/offset the amount of unliquidated cash advances from AOs claims.**
10. Procedural lapses in the recording and control of inventories such as unaccounted balance of ₱4.81 million which remained dormant for more than five years; absence of perpetual inventory records, Stock Cards and Report on the Physical Count of Inventories and non reconciliation of the accounting and property records in the UP System, Diliman, Visayas and Open University cast doubts on the validity of the ₱11.93 million inventories and related expense accounts. (paragraphs 97-105)

We recommended that Management:

UP System

- **require the Committee created to complete the physical count and inventory reporting pursuant to Section 490 of the GAAM, Volume I;**
- **strictly require the Accounting and Property Divisions to observe the procedures on the preparation, proper recording and regular updating of inventory in accordance with the NGAS; and**
- **require the Accounting Division to reconcile the balances of account in the GL against the individual SL including the inventory report that will be prepared by the Committee and effect immediately the adjustments on the reconciling items noted.**

UP Diliman

- **the Accounting Office in coordination with the SPMO to determine the unaccounted supplies and materials issued in prior years and to prepare the necessary adjusting entries. Likewise, monthly monitoring and reconciliation of the records between the Accounting Office and the SPMO should be conducted to ensure validity and existence of the Office Supplies Inventory account in the books of the University; and**
- **henceforth, Management to require the Inventory Committee to conduct physical inventory of supplies and materials at least every six months and during turn-over of property accountabilities. Proper notation should be indicated in the Report on the Physical Count of Inventories.**

UP Open University

- **the Chief Accountant and the Property Officer to:**

- **consistently implement the Perpetual Inventory Method in recording their inventory accounts;**
- **avoid overstocking of inventory, particularly, textbooks and instructional materials.**

UP Visayas - Tacloban

- **strictly adhere to the provisions of Section 43, Vol. I of the NGAS Manual;**
 - **the Accountant to:**
 - **maintain on a current basis in the GL an Inventory account for all purchases of supplies and materials for stock, regardless of whether or not they are consumed within the accounting period. Issuances thereof shall be recorded based on the Report of Supplies and Materials Issued;**
 - **stop the practice of recording/charging regular purchases of supplies and materials immediately to the expense accounts;**
 - **maintain and update regularly SLC for each inventory stock which shall contain the details of the GL accounts and to reconcile their cards/records regularly with that of the Supply Unit;**
 - **the Supply Officer/Unit to:**
 - **conduct an inventory of supplies and materials annually and prepare a Report on the Physical Count of Inventories by type of inventory as of a given date;**
 - **prepare on a monthly basis a RSMI based on the Requisition and Issue Slips; and**
 - **maintain SC for inventories, to be reconciled with the records of the Accounting Office, regularly.**
11. The PPE accounts of the eight UP campuses/units totaling ₱23.04 billion are of doubtful validity due to a) variance of at least ₱52.48 million existing between the books and the Physical Inventory Reports, b) unrecorded reconciling items, c) incomplete or lack of inventory reports, d) erroneous computation on depreciation, e) the absence of regular reconciliation of property and accounting reports/records and f) the inclusion of burned/damaged properties worth at least ₱21.42 million in the books due to delayed request for relief from property accountabilities. paragraphs 106-122)

We recommended that Management institute the following measures to safeguard its property against loss, misuse or misappropriation due to fault and negligence in safekeeping:

- **conduct regularly the physical count and inventory reporting of its PPE thru a Committee created for the purpose and submit a copy of Inventory Report to COA pursuant to Section 490 of the GAAM, Volume I; and**
- **require the Accounting and Property Offices to fast track the on-going efforts of reconciling their records; and to observe the procedures on the preparation, proper recording of property and equipment, thru maintenance of Property Cards and updating of PPE Ledger Cards, in accordance with the NGAS.**

UP System

- **effect immediately the adjustments after the accounting and property reconciliation of its properties and inventory.**

UP Diliman

- **direct the concerned AOs to strictly comply with the requirements of Section 73 of PD 1445 on properties lost due to fire, in order to resolve any future legal/financial and reporting implications or consequences.**

UP Manila/PGH

- **instruct their respective Chief Accountants to prepare the PPELC for all classes of equipment for all funds and consolidate the balance of each type as appearing in the Detailed Balance Sheet;**
- **require the Chief, Property Division to furnish the Accounting Division with a copy of the Deed of Donation for purposes of recording the donated equipment; and**
- **instruct the Chief, Property Division of UP-PGH to immediately submit to the COA the RPCPPE as of December 2010 and for UP-Manila to consolidate individual offices' RPCPPE.**

UP Los Baños

- **require the Chief Accountant to:**
 - **record financial transactions in conformity with generally accepted accounting principles and in accordance with pertinent laws and regulations;**

- prepare the financial reports to comply with the specific requirements of applicable laws and regulations; and
- restore the balance of the ₱273.9 million written-off from the books pending submission of documents required for the grant of authority to write-off from COA.

UP Open University

- instruct the Chief Accountant to review the computation of annual depreciation of each PPE account and effect the necessary corrections in the Accumulated Depreciation and Depreciation Expense accounts.

UP-Baguio

- require the Accountant to effect the adjustments to reflect the correct balances of PPE accounts in the financial statements.

UP Visayas

- require the Accounting and Supply Units to maintain perpetual inventory records, as prescribed under Section 43 and 66 of the NGAS;
- require the Accountant to:
 - insure the properties and equipment with the General Insurance Fund of the GSIS every year in accordance with the provisions of RA 656 and Administrative Order No. 33;
 - review and revise the computation of allowance for depreciation and the depreciation expense accounts pursuant to Section 67 of the NGAS Manual and make the necessary adjustments to correct the balances of the accounts. Record the allowances for depreciation monthly; and
 - record the costs of the on-going construction of the perimeter fence of ₱2,967,602.22 under the account Construction in Progress-Agency Assets and the succeeding costs incurred, if any, until completion, after which, transfer the costs from the Construction in Progress-Agency Asset to the appropriate asset account.
- require the Supply Officer to prepare and submit an inventory of all the insurable properties to the General Insurance Fund of the GSIS;
- create a Committee on Disposal to take charge of the disposition of the unserviceable properties;

- **require the conduct of physical inventory of property whenever (a) an accountable officer resigns, retires, or files a leave of absence of more than 30 days; and (b) when the AO's term expires and a new AO is designated/appointed to take over; and**
- **require the issuance of ARE whenever equipment is issued to an end-user or when there is a change of AO to be renewed every January of the third year after its issue. AREs which are not renewed after three years shall be under the accountability of the official employee concerned.**

UP Mindanao

- **require the Accounting Office to:**
 - **provide details or breakdown on the PPEs worth ₱28,402,127.66 found to have no descriptions, date of acquisitions, cost and compute the unrecorded depreciations expenses and accumulated depreciations;**
 - **secure documents on the four Motor Vehicles worth ₱2,830,500.00 to establish the university's ownership, information on the date of acquisition, cost for the computation of depreciation and the related accumulated depreciation for recording in the books; and**
 - **draw a JEV to record the depreciation expenses for ten years on the two Motor Vehicles acquired in 1996 and 1997.**
- **require the Property Officer to:**
 - **conduct an actual physical count on the Land, Land Improvement and Other Structures reported in the books totaling ₱8,929,323.74 and prepare the RCPPE; and**
 - **see to it that cost of additions, improvements and major repairs on the School buildings are reflected in the RCPPE and in the books.**

12. The lack or insufficient documentation to warrant the validity of payables of ₱85.30 million existing in the books for more than two years in UP Diliman and Baguio campuses, creditors in the name of "UP Diliman" of ₱0.69 million and the non-completion of the draft and manuscript of textbooks contracted to at least 52 UPD College of Law faculty members and its printing costs totaling ₱70.50 million resulting in the overstatement of the Accounts Payable of ₱2.76 billion by ₱156.49 million and understatement of the account Government Equity y the same amount. (paragraphs 123-129)

We recommended that Management:

UP Diliman

- **require the Accounting Office to adjust/correct all noted deficiencies to ensure that the Accounts Payable are existing and accurately recorded in the books and presented in the financial statements at year end. Henceforth it should:**
 - **refrain from certifying and recording obligations to accounts payable which negate receipt by the agency of the suppliers/creditors bills, for goods/services delivered /rendered and projects accepted; and**
 - **exclude Valid Commitments in the Accounts Payable, and disclose the amount in the Notes to Financial Statements.**
 - **revert to the Government Equity account those invalid payables in compliance with Section 98 of PD 1445.**
- **require the Budget Office to submit to the DBM a List of Not Yet Due and Demandable Obligations for valid commitments based on approved contracts/purchase orders where projects are not yet implemented and/or goods are not yet delivered.**

UP Baguio

- **require the Accountant to review all outstanding payables and revert those which are undocumented/not supported with valid claims and those aged two years or more.**

13. Other Payables account of the UP- Baguio and Cebu campuses totaling ₱296.45 million was overstated by ₱47.33 million due to error in recording income collections, misclassification of accounts and inadequate documentation, rendering the account balance unreliable. (paragraphs 130-138)

We recommended that Management:

UP Baguio

- **make representations with COA GAFMIS for the classification of the collections to an appropriate Income account other than the Other Payable account for fair presentation of the University's financial statements.**

UP Visayas – Cebu

- **require the Chief, Accounting Section, to correct the accounting treatment for income from tuition fee increases using as basis the provisions and accounting guidelines under COA Circular No. 2004-008 and COA Circular No. 2000-002; and**
 - **coordinate with UPV Iloilo and revisit the accounting policy for tuition fee increment as it is not aligned with current Philippine Accounting Standards (PAS).**
14. The absence of subsidiary ledgers, incomplete data of the Transaction Lists for the receipt of CHED fund transfer and the non-reconciliation of fund balance with the grantor cast doubts on the accuracy of the UP Diliman's Due to Other NGAs-CHED account balance of ₱1.5 million. (paragraphs 139-150)

We recommended to the Management the following corrective measures:

- **the Accounting Offices of both UPD and CHED in coordination with the Project proponents, to reconcile records and prepare the necessary adjusting entries, if any;**
 - **in case there are excess funds for the projects, the UPD to request authority from CHED to utilize the excess funds or refund the unexpended amount to CHED; and**
 - **the Accounting Office to indicate the name of the funding entity in the Transaction List for easy identification and to facilitate recording of the transactions in the SLs and to maintain/update all SLs for the account Due to NGAs.**
15. A variance of ₱18.4 million between the balances of accounts Subsidy to Regional Offices/Staff Bureaus and Subsidy from Central Office due to timing difference in recording the release of the UP System Administration and receipt of the constituent universities of funds and the absence of reconciliation thereof, misstated the UP consolidated financial statements at year end. (paragraphs 151-157)

We recommended that Management monitor the CUs' recording of funds transferred in December to ensure that reciprocal accounts are eliminated during the consolidation process of the UPSA and the CUs financial statements.

16. The UP Open University and Mindanao Campuses incurred expenses totaling ₱0.54 million, which either lacks the appropriate legal basis or with inadequate documentation, contrary to Section 28, Vol. I, NGAS Manual, thus overstating the expense account of the same amount; while UP Visayas Tacloban misclassified the expense account Honoraria of ₱1.36 million as Other Personnel Benefits, contrary to

Sections 251 and 268 of the same Manual and Section 49 of the General Appropriations Act (GAA) of CY 2010. (paragraphs 158-161)

We recommended that Management:

UP Open University

- **require each of the personnel designated as Division Chief to refund the amount of ₱70,272.00 for claims of Honoraria without legal basis, henceforth, stop the said practice to avoid incurrence of unnecessary operating expenses by the University.**

UP Mindanao

- **require the Accounting Office to ensure that all disbursements are supported with necessary documents.**

UP Visayas – Tacloban College

- **require the Accountant to record the payment of OTS as Honoraria instead of Other Personnel Benefits in accordance with the provisions of COA Accounting Circular No. 2006-001, Sections 251 and 268 of the NGAS and Section 49 of GAA for CY 2010.**

17. The non-adherence to the provisions of the Implementing Rules and Regulations (IRR) of RA 9184 of UP Manila/PGH and Visayas Campuses/Units is inconsistent with the standards of professionalism in the procurement process, rules out the effect of good planning and renders the least assurance of an economical and efficient project undertaking in relation to priorities set. (paragraphs 162-163)

We recommended and Management agreed to:

UP Visayas

- **refrain from assigning the Research personnel who are members of the TWG from participating in the following activities of the research projects:**
 - **canvassing of prices**
 - **awarding of Bids/Quotations**
 - **signing in the Abstract of Quotations**
- **install a sound internal control system in the procurement of goods and services by instituting check and balance among the different departments;**
- **prepare an APP as a basis of procurement for goods and services necessary in the operation and for the end-user units to prepare their respective PPMP**

for their different programs, activities, and projects. Prohibit procurement which is not in accordance with the approved APP; and

- **strictly comply with the provisions of RA 9184 and its IRR in all procurement activities to avoid suspensions/disallowances in audit.**

UP Manila – PGH

- **require the Heads of operating units to maintain efficiency and effectiveness in planning and in the procurement process by:**
 - **reviewing the PPMPs of their respective units chargeable against Funds 101 and 164, ensuring in the process that the plan made reflect the priorities of the period.**
 - **ensuring that the requisitions for purchases are in conformity with their respective limits under the approved APP. Should changes in the plan occur, see to it that the PPMPs of the unit’s are updated.**
- **designate members of the BAC from among the agency officials and employees with permanent employment status;**
- **inform the Supplier of the aforementioned price variance and require a refund therefor;**
- **ensure that all purchase orders/contracts awarded thru the use of Alternative Methods of Procurement as provided for in Rule XVI of R.A. 9184 should pass thru the BAC, which shall issue a BAC Resolution to be approved by the Head of the Procuring Entity; and**
- **require the BAC to create a TWG to evaluate and monitor prices offered by exclusive distributors in the market, such as in other government hospitals, to ensure that UP-PGH is getting the lowest price and the best terms possible.**

18. Laxity in monitoring the updating/recording of earned and used leave credits in the employees leave cards in UP Diliman and Manila/PGH resulted to (a) monetization of vacation leaves were claimed totaling ₱143,883.72 though leave credits were insufficient; (b) accumulation of undeducted leaves without pay of ₱1.13 million; (c) delayed processing of claims for terminal leave benefits; (d) risk of employees’ habitual absenteeism; and (e) risk of document loss as basis for recording. (paragraphs 164-168)

We recommended that Management require the:

UP Diliman

- **HRDO to a) record and update regularly employees leave cards so that the Accounting Unit is promptly advice to effect deduction of the LWOP incurred by the employees concerned; and b) provide control number on the LWOP Notices/Memoranda to various offices to facilitate monitoring and for control purposes; and**
- **heads of the HRDO and the Accounting Office to adequately supervise and monitor the outputs of their respective personnel to ensure their correctness, timeliness and compliance with prescribed Civil Service Law and Rules.**

UP Manila/PGH

- **the Head, Leave Section instruct the assigned employees to regularly update employees leave cards. Review the responsible employee's output to determine correctness of work performed;**
- **advise/notify the Accounting unit regarding employees without pay so that necessary deductions from employees salaries is made. While the same unit has to bill the employees concerned to keep them abreast of their outstanding obligations and be aware of the status of their leave credits; and**
- **send warnings through a memorandum to employees who are habitual absentees and inform higher management on this regard for proper disposition.**

19. Fund transfer of ₱240,041.00 intended for the payment of salary differentials/monetization and other personnel benefits for UPV Cebu was taken up as credits to expense accounts instead of Subsidy Income contrary to the provisions of Accounting Circular No. 2006-001 resulting in the reversal of the previously recorded expenses and the non recording of the expenses in the books of the University. (paragraphs 169-176)

We recommended that Management require the Chief of the Accounting Section, to record fund transfers covering the budgetary releases for current operating expenses using the account subsidy income in accordance with the said COA Circular.

20. The UP Diliman - Law Center's (UPD-LC) practice of hiring manpower thru contractual personnel without employer-employee relationship, which in CY 2010 rehired 24 personnel whose appointments were renewed every six months in a period of one to 17 years, should be revisited and should continue requesting from the DBM

for regular plantilla items to protect the interest of the employees concerned as well as that of the University. (paragraphs 177-183)

We recommended that Management require the HRDO to revisit the University's present plantilla items taking into consideration the additional units/departments created without additional staff and to continue requesting from the DBM thru the UP System the need for regular plantilla items and funding for the benefit of all concerned.

21. Contracts, Purchase/Job Orders and Reports of Inspection of UP Open University were not submitted to the Office of the Auditor within five days after its perfection/issuance thereof and within 24 hours from acceptance of deliveries, respectively as required under Section 3.1 of COA Circular No. 2009-001, Section A.1 of COA Circular No. 96-010 dated August 25, 1996, and Section 6.09 of COA Circular No. 95-006 dated May 18, 1995, hence, timely evaluation/inspection thereof could not be undertaken by the Audit Team. (paragraphs 184-190)

We recommended and the Chancellor agreed to require the Property Officer to monitor and comply strictly with the reglementary period on the submission of contracts/purchase and or job orders and the Reports of Inspection pursuant to existing rules and regulations.

22. The four UP campuses failed to allocate/spend at least 5% of their CY 2010 approved budget for the GAD Program resulting to inadequate promotion of gender-responsive governance to address gender issues and concerns of their constituents/sectors as required under Section 32 of the General Provisions of RA 9970, Joint Circular No. 2004- 1 and Executive Order No. 273. (paragraphs 195-198)

We recommended that Management strictly comply with the existing GAD rules and regulations.

UP Manila/PGH

- **require the Gender Focal Point person to develop gender plans that are aligned with and are made an integral part of the agency operations.**

UP Baguio

- **require the GAD focal person to regularly monitor developments on their submitted Annual GAD Plans and Budget with the UP System and request the latter to furnish them a copy of the NCRFW-endorsed GAD Plans and Budget.**

23. Prior Years' Audit Suspensions, Disallowances and Charges of ₱89.90 million remained unsettled in three UP campuses contrary to COA Circular No. 2009-006 on the settlement of government accounts. (paragraphs 200-202)

We recommended that Management of all the concerned UP campuses strictly comply with the provisions of COA Circular No. 2009-006 dated September 15, 2009 on the settlement of accounts.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

The status of implementation of prior years' audit recommendations embodied in the 2009 Consolidated Annual Audit Report on the audit of the University of the Philippines System, the details of which are discussed in Part III of this report, is shown below:

| Status | Number | Percentage |
|-----------------------|---------------|-------------------|
| Fully Implemented | 7 | 15.55% |
| Partially Implemented | 31 | 68.90% |
| Not Implemented | 7 | 15.55% |
| Total | 45 | 100.00% |

Recommendations on the following significant audit findings/observations which were either partially implemented/not implemented as of December 31, 2010, are as follows:

A. Partially Implemented

- Unreported/undisclosed results of University Hotel's (UH) operations (UPS);
- Inadequate UP System Guidelines on UP affiliated foundations;
- Inadequate implementation of Gender and Development Plans (GAD) (UPS, UPD, UPM, UPOU, UPLB, UPB);
- Idle Funds of ₱151.65 Million due to unfilled scholarship slots for Engineering and Development for Technology (ERDT) Program of UPD;
- Deficiencies in the collection of income and other receivables of ₱231.07 million (UPD, UPM-PGH, UPB and UPV – Iloilo and Tacloban);
- Incomplete In-house Research Projects worth ₱16.56 million in UPV;
- Inadequate delivery of security services due to lack of Armaments and Equipment in UPV;
- Delayed, Non-Completion and Publication of Research Projects in UPD;
- Unutilized PGMA-SEGS in UP Diliman as 19 slots were still unfilled;
- Inadequate monitoring of compliance with existing agreements and supervision for FDG Project in UP Diliman;

- Possible losses in revenues due to disapproved Philhealth hospital claims of ₱8.7 million in UP – PGH;
- Inadequacies in facilities, nurse to patient ratio, unpaid light and water bills, etc. due to inadequate budgetary allocation in UP Manila;
- UPD Law Complex inadequate policies in handling LRF;
- Inadequate administration of the cost recovery mechanism on the contractual obligation of renegeing fellows in UP Diliman, Manila and Baguio;
- 66 hectares of land in UP Diliman occupied by informal dwellers;
- Existing agreements between UP Diliman and university-based accredited foundations on operational and financial matters were not clear;
- Understatement of Cash in Bank Account balance by ₱15,665,747.79 in UPD and UPM;
- Unreconciled Balances of Cash-In-Bank of ₱152.48 million in UP Manila and Visayas;
- Internal Control Weaknesses in the granting/liquidation of Cash Advances in UPS, UPD, UPM and UPV;
- Inadequate documentation on dormant Due to Officers and Employees account of ₱20.2 million of UPD and UPLB;
- Deficiencies in recording and control of Inventories in UPLB, UPOU and UP Mindanao;
- Doubtful validity of Plant, Property and Equipment (PPE) Accounts of ₱6.96 billion (UPD, UPM-PGH, UPLB, UPOU and UPB);
- Accounts Payable Overstated by ₱68.43 million in UPS, UPD and UPV;
- Overstatement of Other Payables Account by ₱686.50 million (Partially implemented in UPM-PGH and UPLB, while in UPV not implemented);
- Improper/Illegal Expenditures (Partially implemented in UPV- Tacloban but not implemented in UPOU and UP Manila);
- Understated Electricity Expense account of ₱6.32 million of the UP System is understated by ₱3.10 million;
- Long outstanding and undocumented ₱242.48 million charges to Items in Transit account (Partially implemented in UP Diliman but not implemented in UPLB);
- Non submission of supporting documents for payments of Salaries and Allowances in UP Diliman;
- Unreconciled Supplies Inventory with a variance of ₱4.5 million in UP Diliman;
- Dormant Land Improvement account for 24 years of ₱4.06 million of UP Manila;
- Uncollected and unrecorded revenues of ₱27 million in the operation of the Newborn Screening Services in UP Manila;

B. Not Implemented

- Absence of standard qualification requirements for appointee's to the UH's BOO positions (UPS);
- Procedural Lapses on Time Deposit Placements of ₱1.56 billion and Special Endowment Fund (SEF) utilization in UP Manila;
- Non conformity with accrual method of recognizing income in UP Diliman;
- Absence of complete records in determining the accuracy, validity and ownership of the UP Manila Land of ₱2.44 million;
- Uncollected Hospital fees due from Government Corporations and individual accounts in UPM-PGH;
- Procurement of drugs and medicines thru cash advance at nearby drugstores depriving the UP-PGH of additional income of ₱215,133.13; and
- Prior Years' Suspensions, Disallowances and Charges of ₱5.4 million remained unsettled in the UP Diliman, PGH and Los Baños campuses. contrary to COA Circular No. 2009-006 on the settlement of government accounts.