A. Summary of Observations and Recommendations

1. The major observations and recommendations in the course of the audit are as follows:

1.1 Collections ranging from P10,000.00 to P28,050.00 of TESDA – Ilocos Sur Provincial Office and P10,000.00 to P200,015.00 of TESDA – Ilocos Norte Provincial Office were not deposited intact on a daily basis or not later than the next banking day, in violation of Section 21 of the Manual on the New Government Accounting System (NGAS) for National Government Units, Volume I thus, exposing risk to theft of government funds.

We recommended management to require the Cashiers to deposit the cash collections intact with the authorized depository bank daily or on the next banking day to minimize risk of loss.

1.2 Administrative costs amounting to P582,845.00 of more or less 13,370 assesses of TESDA - Ilocos Sur Provincial Office were not collected thus intended projects/activities of Sariling Sikap Program (SSP) Funds could not be fully attained or implemented contrary to Executive Order No. 939 dated March 2, 1984, COA-DBM-DOF JC No. 7-85 dated July 29, 1985, TESDA Circular Nos. 3 & 18 series of 2008 and TESDA Circular No. 25 series of 2009.

We recommended management to enforce/intensify collections of administrative costs to fully attain or implement the intended projects/activities of the Sariling Sikap Program in accordance with Executive Order No. 939 dated March 2, 1984, COA-DBM-DOF JC No. 7-85 dated July 29, 1985, TESDA Circular Nos. 3 and 18 series of 2008 and TESDA Circular No. 25 series of 2009.

1.3 Cash advances for salaries and wages of TESDA – La Union Provincial Office and Pangasinan School of Arts and Trade were not supported by properly approved payroll which is not in accordance with COA Circular No. 2012-001 dated June 14, 2012, thus reliability and validity of the transaction cannot be easily ascertained.
We recommended that the accounting department should attach the approved payroll with the list of payees indicating their net pay to support the total amount to be cash advanced.

1.4 Bangui Institute of Technology failed to attach the documentary requirements for common government transactions in the liquidation of cash advances submitted by the Acting Supply Officer totaling P570,000.00 which is contrary to COA Circular No. 2012-001 dated June 14, 2012 thus, validity of the claims could not be ascertained and payment thereof may not be beneficial to the government.

We recommended management to adhere to COA Circular 2012-001 and attach the documentary requirements before submission thereof. Furthermore, management should refrain from granting cash advance for purchase of supplies, draw check payments directly in the name of the supplier in conformity with existing regulations and withhold the appropriate taxes due the government.

1.5 Various computer parts lost last August 24, 2015 amounting to a total of P144,300.00 of TESDA – Regional Training Center were still included in the asset accounts of the agency even after a request from accountability was filed by the accountable officer which is not in accordance with PPSAS 17 of the Philippine Public Sector Accounting Standards, thus affecting reliability of the affected accounts in the financial statements.

We recommended that accounting department should remove the lost computer parts from the PPE accounts by setting up a receivable from the accountable officers and a credit to the appropriate asset account to have a fair presentation of the financial statements of the agency and demand an immediate payment for the money value of the said missing computer parts.

1.6 Property, Plant and Equipment (PPE) Account totaling P4,960,881.38 as at December 31, 2015 of TESDA – Ilocos Sur Provincial Office was not reconciled with the inventory report and the Supply Officers of Marcos Agro-Industrial School, Pangasinan School of Arts and Trade, and Pangasinan Technological Institute were not able to submit the final copy of Report of Physical Count of Plant, Property and Equipment (RPCPPE), hence, reconciliation of Property, Plant and Equipment (PPE) accounts could not be fully conducted thus, validity, existence, accuracy and
reliability of said accounts could not be ascertained affecting the fair presentation of the account in the financial statements.

We recommended management to instruct the concerned personnel to reconcile their records and make appropriate adjustments. Accounting Unit should maintain subsidiary ledger to support the general ledger, while the Property Officer should maintain a Property Card and together should update the itemized list of PPE to support SL balances. Also, create an Inventory Committee to conduct physical inventory of all properties at least once a year and prepare the RPCPPE for submission to the Accounting Unit and require the Supply Officer to coordinate with the Accountant/Bookkeeper and analyze the variances between the balances per books and the Inventory Report and prepare the necessary adjustments.

1.7 Various equipment and inventory items of TESDA – La Union Provincial Office were not available during physical inventory count which is not in accordance with Presidential Decree No. 1445 otherwise known as the State Audit Code of the Philippines thus, raising doubts on the physical existence and proper handling and custody of public properties

We recommended that management should require all the accountable officers to properly present all the properties, equipment and inventory items under their custody to satisfy the physical existence of the properties. In addition, we recommended the management to provide a secured place in the provincial office where equipment and inventory items are not yet in use for proper safe keeping so that it will be easily available any time when needed.

1.8 Various buildings amounting to a total of P7,448,358.32 booked under TESDA Regional Office were used by the TESDA Regional Training Center (RTC) thus depreciation expenses of the said buildings were recognized under the books of the regional office but the benefits deriving thereof were received by RTC, thus matching principle of expenses and revenues was not attained and one (1) building located at the regional office compound was not recorded in the books of the agency, thus resulting in the understatement of the property, plant and equipment account as reflected in the financial statements.

We recommended to transfer the said buildings to RTC to be able to match the corresponding expenses incurred for the said property with the benefits deriving thereof, in accordance with the matching principles. Furthermore,
transfer of the said properties should be in accordance with the Section 76 of PD 1445 otherwise known as the State Audit Code of the Philippines for proper transfer of responsibility and accountability.

Also, we recommended that accounting department should recognize the Driver’s Quarters and Archive Room Building at its cost on the regional office books in accordance with PPSAS 17/IPSAS 17 of the Philippine Public Sector Accounting Standards Volume II to have fairly presented financial statements

1.9 Property numbers were not assigned to the properties and equipment of TESDA – Regional Office and TESDA – La Union Provincial Office which was not in accordance with COA Circular No. 80-124 dated January 18, 1980, thus identification of the properties to facilitate in the physical inventory taking cannot be easily attained.

We recommended that the supply officers should assign inventory tags for all properties and equipment of the agency in conformity with COA Circular No. 80-124.

1.10 No certification from the agency head or his authorized representatives of Pangasinan Technological Institute were attached to the disbursement vouchers of telephone services as required in COA Circular 2012-001 dated June 14, 2012, thus validity of said expenses cannot be ensured.

We recommended the management to attach certification from the agency head or his authorized representative to all disbursement vouchers of telephone expenses to support the calls incurred as official and valid.

1.11 Non-posting of procurements of TESDA – Regional Training Center and Pangasinan Technological Institute amounting to more than P50,000.00 in the Philippine Government Electronic Procurement System (PhilGEPS) website is not in accordance with 53.9 - Small Value Procurement of the Revised Implementing Rules and Regulations (IRR) of RA 9184 and Government Procurement Policy Board (GPPB) Resolution No. 09-2009 thus raising doubts on the transparency, validity and propriety of the purchases and payments made.

We recommended that the management should post all its procurement with approved budget for the contract exceeds P50,000.00 to the PhilGEPS website to ensure transparent access to government wide-procurement opportunities.
1.12 Necessary supporting documents were not attached to the disbursement vouchers of Pangasinan Technological Institute representing payments of goods and services costing Fifty Thousand Pesos (P50,000.00) which were not in accordance with 53.9 - Small Value Procurement of the Revised Implementing Rules and Regulations (IRR) of RA 9184 and Government Procurement Policy Board (GPPB) Resolution No. 09-2009 thus raising doubts on the transparency, validity and propriety of the purchases and payments made.

We recommended management to revisit the Small Value Procurement 53.9 of the Revised IRR of RA 9184 and GPPB Resolution No. 09-2009 dated November 23, 2009 in order to facilitate the transactions under the Small Value procurement to promote transparency and validity of the procurement procedures of the agency. Also, strictly comply with Revised Implementing Rules and Regulations (IRR) of Republic Act 9184 in all future procurement transactions of the agency.

1.13 Procurement of commonly used goods and supplies of TESDA – Regional Training Center were not done thru Procurement Service of the Department of Budget and Management (PS-DBM) as required under Administrative Order No. 17 dated July 28, 2011 and GPPB Resolution No. 12-2006 dated June 14, 2006, thus the policy of procuring supplies and materials in the most economical and efficient manner were not achieved.

We recommended directing the procurement of regular office supplies and equipment through the PS-DBM before resorting to other mode of procurement and in case of non-availability of stocks, attached to the disbursement vouchers certification that certain items were not available in the procurement service.

1.14 Official Receipts, Disbursement Vouchers, and other Financial Reports of four (4) TESDA Provincial Offices (ISPO, INPO, LUPO and PPO), three (3) Training Centers (RTC, PTC and including Rosales Skills Training Center) and three (3) TESDA Administered Schools (PSAT, PTI and LMMSAT) were not submitted on time to the audit team, which is not in accordance which Section 7.2.1a of the Rules and Regulations on the Settlement of Accounts, resulting in our inability to audit the Agency’s
account on time in order to determine the authenticity and validity of claims from the government.

We recommended that the Accounting Department be required to submit Official Receipts, Disbursement Vouchers, and Financial Reports to the Audit Team within the prescribed period to enable the timely audit of the Agency’s transaction.

1.15 Copies of the contracts/purchase orders of TESDA – Ilocos Sur Provincial Office, Pangasinan Technological Institute and Luciano Millan Memorial School of Arts and Trade were not submitted to the office of the audit team within the prescribed period upon its perfection and the agency did not notify the same of the scheduled delivery of the said purchases, which is not in compliance with COA Circular No. 2009-001 dated February 12, 2009 and COA Circular No. 95-006 dated May 18, 1995, thus, resulting in the untimely evaluation of the said purchase order and non-conduct of inspection, thereby management could not timely implement relevant recommendations and/or corrective measures that could improve the agency’s operations.

We recommended that management should call the attention of the BAC and the Supply Officer to furnish the office of the audit team with copies of contracts and purchase orders within five days after perfection thereof together with the notice of the schedule of deliveries within 24 hours after acceptance of such deliveries for timely inspection/validation of the items delivered.

1.16 Subsidiary Ledgers of the controlling accounts appearing in the General Ledger of three (3) TESDA Provincial Offices (ISPO, LUPO and PPO), three (3) Training Centers (RTC, PTC and including Rosales Skills Training Center) and three (3) TESDA Administered Schools (PSAT, PTI and LMMSAT) were not maintained, which was not in conformity with Section 4 (Basic Features and Policies) and Section 12, (Volume II), National Government Accounting System (NGAS) Manual, hence, the validity, reliability and propriety of such accounts could not be properly ascertained and reconciled, affecting the fairness of presentation of the financial statements to such extent.
We recommended management to strictly require the Accounting Department to prepare and maintain the necessary Subsidiary Ledgers and General Ledger as required under Section 4 (Basic Features and Policies) and Sections 10 to 12, Volume II of the National Government Accounting System (NGAS) Manual to cast away the doubt on the fair presentation of its financial statements.

1.17 The outgoing Disbursing Officer of Pangasinan School of Arts and Trade did not submit to the audit team a report of his accountability which is in contrary with Section 80 of Presidential Decree No. 1445 otherwise known as State Audit Code of the Philippines, thus proper turnover of accountabilities cannot be ascertained.

We recommended that in any possible change of accountable officer in the future, the management should inform the audit team and submit a report of accountability of the outgoing officer to have a proper turnover of accountabilities and relieve the outgoing officer from his accountability and transfer to the incoming officer the accountability thereof.

1.18 The duties and functions of the Cashier and Administrative Officer of TESDA – Pangasinan Provincial Office was assigned to only one person contrary to Section 50 of the Government Accounting and Auditing Manual (GAAM), Volume III, which may result in a possible manipulation of records and concealment of errors and irregularities of their transactions.

We recommended management to appoint the most qualified next-in-rank employee to act as a Cashier pursuant to Section 50 of GAAM Vol. III in order to have an effective check and balance over their transactions and to avoid any irregularities.

1.19 Toolkits costing P4,122,400.00 and P2,574,929.00 for TESDA – Ilocos Sur Provincial Office and TESDA – Ilocos Norte Provincial Office, respectively, for the implementation of CY 2015 Grassroots Participatory Budgeting Process (GPB) or Bottom-Up Budgeting (BuB) approach were only delivered sometime in January 2016 thus resulting to non-distribution of toolkits to implementers as at December 31, 2015 which also delayed the full implementation of priority poverty reduction projects as identified at the city/municipal level through a participatory planning and budgeting process and deferred the benefits of the graduates the chance to learn and earn a living.
We recommended management to set a timetable in order that benefits/purpose from the use of tool kits would be derived by the beneficiaries and strictly observe/follow deadlines/targets dates necessary to attain the prompt implementation of the program. In addition, we recommended to expedite delivery of tool kits to POs and distribution to municipalities/grantees.

1.20 In TESDA – Ilocos Sur Provincial Office and Pangasinan Provincial Office, starter toolkits were not distributed immediately to the scholars upon finishing the training programs under the Special Training for Employment Program (STEP) which is not in consonance with TESDA Circular No. 05, series of 2014 dated February 10, 2014 and TESDA Circular No. 04, series of 2015 dated January 5, 2015, thus the beneficiaries were deprived of the immediate use of the tool kits for their entrepreneurial, self-employment and service-oriented activities due to the late distribution thereof.

We recommended prompt distribution of toolkits to address program’s objective to provide skills training opportunities for the beneficiaries in the barangays/communities for employable skills and be productive.

1.21 Receipt by the trainee of the starter toolkits of TESDA – Pangasinan Provincial Office were not supported by the required Acknowledgment Receipt format as stated in Section 11. 8 of TESDA Circular No. 04, series of 2015, thus accuracy, completeness and existence of the items received by the graduate scholar cannot be determined.

We recommended management to instruct the officer-in-charge on the distribution of toolkits to use and accomplish the required format of acknowledgement receipts in compliance with TESDA Circular No. 04.

1.22 Taxes were not consistently withheld by accounting department in Pangasinan Technological Institute from suppliers, service providers and utility companies which is not in accordance with BIR Revenue Memorandum Circular No. 23-2014, thus depriving the government from collecting taxes due from the sale thereof.

We recommended that accounting department should ensure that the required and appropriate withholding taxes are deducted before making any payment to local suppliers, contractors and companies. And strict compliance of BIR Memorandum Circular No. 23-2014 to contribute in timely collection of taxes for the government.
B. Detailed Audit Observations and Recommendations

2. The detailed audit observations and recommendations as regards to compliance with laws, rules and regulations and the effectiveness of controls are as follows:

I. Financial and Compliance Audit

Collections

Collections ranging from P10,000.00 to P28,050.00 of TESDA – Ilocos Sur Provincial Office and P10,000.00 to P200,015.00 of TESDA – Ilocos Norte Provincial Office were not deposited intact on a daily basis or not later than the next banking day, in violation of Section 21 of the Manual on the New Government Accounting System (NGAS) for National Government Units, Volume I thus, exposing risk to theft of government funds.

3. Section 21 of the Manual on the New Government Accounting System (NGAS) for National Government Agencies, Volume I, states that “All Collecting Officers shall deposit intact all their collections, as well as collections turned over to them by sub-collectors/tellers, with AGDB daily or not later than the next banking day. They shall record all deposits made in the Cash Receipts Record.”

4. Likewise, the Handbook on Cash Examination also provides that “Where collections are minimal and daily deposit thereof becomes costly and impractical, the COs shall deposit their collections at least once a week, or as soon as the collections reach P10,000.00.”

5. During the cash examinations conducted, the audit teams found out that collections were not deposited intact on a daily basis or not later than the next banking day with the authorized depository bank. Detail of the collections and deposits for the SSP Fund is shown as Annex “A” of this report.

Recommendation:

6. We recommended management to require the Cashier to deposit the cash collections intact with the authorized depository bank daily or on the next banking day to minimize risk of loss.

7. During the exit conferences, management assured that they will be more cautious and conscious on the importance of daily deposits to strictly comply with the guidelines.
Uncollected Administrative Cost

Administrative costs amounting to P582,845.00 of more or less 13,370 assessesees of TESDA - Ilocos Sur Provincial Office were not collected thus intended projects/activities of Sariling Sikap Program (SSP) Funds could not be fully attained or implemented contrary to Executive Order No. 939 dated March 2, 1984, COA-DBM-DOF JC No. 7-85 dated July 29, 1985, TESDA Circular Nos. 3 & 18 series of 2008 and TESDA Circular No. 25 series of 2009.

8. Executive Order No. 939 dated March 2, 1984 directs the NMYC now TESDA to implement the Sariling Sikap Program using its existing resources while COA-DBM-DOF Joint Circular No. 7-85 dated July 29, 1985 implements guidelines for the operation of the program.

9. TESDA Circular Nos. 3 & 18, series of 2008 which were amended under TESDA Circular No. 25 series of 2009 enumerated the schedule of fees to be collected then reimbursed to TVIs/Schools. The administrative costs which is Php50.00 per assessee will be used to defray all costs/expenditures necessary to carry out the projects/activities of the program such as, but not limited to:

- Supplies and materials
- Repairs and maintenance
- Replacement of lost items and breakages
- Essential equipment necessary to operate the program
- Travelling expenses
- Power services
- Honoraria for SSP staff

10. During the audit of Official Receipts vis-à-vis the assessed students/beneficiaries of different qualifications from TVIs/Schools, the team found out that the Provincial Office collected only P85,655.00 out from P668,500.00 which is only 12.8%. The Schedule of Administrative Cost is attached as Annex “B” of this report.

Recommendation:

11. We recommended management to enforce/intensify collections of administrative costs to fully attain or implement the intended projects/activities of the Sariling Sikap Program in accordance with Executive Order No. 939 dated March 2, 1984, COA-DBM-DOF JC No. 7-85 dated July 29, 1985, TESDA Circular Nos. 3 & 18 series of 2008 and TESDA Circular No. 25 series of 2009.

12. Management justified that the assessesees/candidates are generally poor, belong to the marginalized sector, students and existing workers. There are assessesees who are
taking the Competency Assessment for how many times, in different Qualifications or Units of Competencies. In order to help them, TESDA is collecting administrative cost only once, this is to ease their burden of paying several times.

Auditor’s Rejoinder:

13. The audit team commended the divine act of TESDA ISPO even if they deviate from the rule of law. But we still insist to intensify collections for the implementation of SSP projects/activities.

Cash Advances

- Unsupported cash advances for salaries and wages

  Cash advances for salaries and wages of TESDA – La Union Provincial Office and Pangasinan School of Arts and Trade were not supported by properly approved payroll which is not in accordance with COA Circular No. 2012-001 dated June 14, 2012, thus reliability and validity of the transaction cannot be easily ascertained.

14. COA Circular No. 2012-001 provides that approved payroll or list of payees indicating their net payments should be of the documentary requirements for granting cash advances.

15. Post-audit of disbursement vouchers for cash advances shows that there were no properly approved payrolls attached to the cash advances for salaries and wages of the agency, thus, the total amount granted as cash advance cannot be easily checked if it was equal to the net amount of the payroll for the pay period. Also, the validity of claims cannot be easily determined as the approval of the proper authority for the claims were not presented for the cash advance.

Recommendation:

16. We recommended that the accounting department should attach the approved payroll with the list of payees indicating their net pay to support the total amount to be cash advanced.

17. Accounting department committed to adhere to our audit recommendations.
**Liquidation of Cash Advances**

Bangui Institute of Technology failed to attach the documentary requirements for common government transactions in the liquidation of cash advances submitted by the Acting Supply Officer totaling P570,000.00 which is contrary to COA Circular No. 2012-001 dated June 14, 2012 thus, validity of the claims could not be ascertained and payment thereof may not be beneficial to the government.

18. The documentary requirements to support the transactions were enumerated in paragraph 9 of the Revised Documentary Requirements for Common Government Transactions as prescribed under COA Circular No. 2012-001 dated June 14, 2012.

19. Paragraph 9.2 of the aforesaid circular provides basic requirement common to all purchases under alternative mode as follows:

- Purchase Order/Letter Order/Contract, duly approved by the official concerned and accepted by the supplier (date of acceptance must be clearly indicated, especially when the time or date of delivery is dependent on or will be counted from the date of acceptance of the purchase order/letter order/contract)
- Proof of posting of invitation or request for submission of price quotation
- Approval by the Head of procuring Entity (HOPE) or his duly authorized representative on the use of the alternative methods of procurement
- Price quotations from suppliers
- Abstract of Canvass.

20. Cash advances totaling P570,000.00 were granted to the School Cashier for the purchase of training supplies. The liquidation reports were supported by receipts and evidenced by other documents. However, per school records, purchase of training supplies are regularly processed and purchased thru cash advances. These were fully liquidated but per audit, we noted that the liquidation of the cash advances were not completely supported by documentary requirements such as purchase order, proof of posting of invitation or request for submission of price quotation, approval by the head of procuring entity, price quotations from suppliers and corresponding abstract of canvass, contrary to the aforesaid circular. Details are found in Annex “C”.

21. Moreover, there were no documents showing that suppliers were invited to give their quotations for the agency to purchase from the one offering what is most beneficial to the government. As a result, the non posting of invitation or request for submission of price quotation and corresponding non submission of the documentary
requirements to support the transactions in the purchase of supplies cast doubts on the validity and regularity of the liquidation.

22. Likewise, the manner of procurement and payment did not observe the rules and regulations on withholding of taxes due to the government.

Recommendation:

23. We recommended management to adhere to COA Circular 2012-001 and attach the documentary requirements before submission thereof. Furthermore, management should refrain from granting cash advance for purchase of supplies, draw check payments directly in the name of the supplier in conformity with existing regulations and withhold the appropriate taxes due the government.

24. Management assured that the recommendations will be implemented in the School.

Property Plant and Equipment Accounts

issing Computer Parts

Various computer parts lost last August 24, 2015 amounting to a total of P144,300.00 of TESDA – Regional Training Center were still included in the asset accounts of the agency even after a request from accountability was filed by the accountable officer which is not in accordance with PPSAS 17 of the Philippine Public Sector Accounting Standards, thus affecting reliability of the affected accounts in the financial statements.

25. Various parts of computer in the Regional Training Center’s Computer Hardware Servicing area were reported missing last August 24, 2015 amounting to a total of P144,300.00. Below were the details:

<table>
<thead>
<tr>
<th>Computer Parts</th>
<th>Unit Price</th>
<th>Total Units Missing</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motherboard</td>
<td>P 5,000.00</td>
<td>8</td>
<td>P 40,000.00</td>
</tr>
<tr>
<td>Processor</td>
<td>4,000.00</td>
<td>12</td>
<td>46,200.00</td>
</tr>
<tr>
<td>Memory Module</td>
<td>2,800.00</td>
<td>12</td>
<td>32,600.00</td>
</tr>
<tr>
<td>Hard drive</td>
<td>2,500.00</td>
<td>11</td>
<td>25,500.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>P144,300.00</strong></td>
</tr>
</tbody>
</table>

26. The accountable officer filed a request of relief from accountability last September 22, 2015 through the Chief Administrator on the said missing properties. Said request were replied by the audit team through a letter informing them to comply
with the formalities and procedural requirements needed to facilitate and ensure the evaluation and resolution of the request. As of this date, compliance to the documentary requirements to support the said request of relief from accountability was not yet done.

27. PPSAS 17 of the Philippine Public Sector Accounting Standards states that an item of property, plant and equipment shall be recognized as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the entity.

28. We noted that the aforementioned lost computer parts were still part of the agency’s property plant and equipment (PPE) as of December 31, 2015 and related depreciation expenses were still recognized, thereby defeating the condition set by PPSAS in recognizing a PPE, since the items were lost and cannot be accounted physically. Thus affecting the fairness of the presentation of the financial statements.

Recommendations:

29. We recommended that accounting department should remove the lost computer parts from the PPE accounts by setting up a receivable from the accountable officers and a credit to the appropriate asset account to have a fair presentation of the financial statements of the agency.

30. Also, we recommended the immediate payment of the money value of the missing property from the accountable officer since compliance on the documentary requirements for the request from accountability were not push through.

31. The management is still waiting for the final investigation report of the Philippine National Police to further validate essential details on the event before appropriate adjustment in the PPE accounts be made by the accounting unit. Also, action of the management will depend on the result of the pending investigation report.

❖ Non-Reconciliation of PPE Accounts

32. Property, Plant and Equipment (PPE) Account totaling P4,960,881.38 as at December 31, 2015 of TESDA – Ilocos Sur Provincial Office were not reconciled with the inventory report and the Supply Officers of Marcos Agro-Industrial School, Pangasinan School of Arts and Trade, and Pangasinan Technological Institute were not able to submit the final copy of Report of Physical Count of Plant, Property and Equipment (RPCPPE), hence, reconciliation of Property, Plant and Equipment (PPE) accounts could be not fully conducted thus, validity, existence, accuracy and reliability of said
accounts could not be ascertained affecting the fair presentation of the account in the financial statements.

33. Section 490 and 491 of GAAM, Volume I requires that:

“The inventory report shall tally/reconcile with the Accounting Unit records and Property Unit records and that any discrepancy thereof between books and physical inventories must be cleared and reconciled immediately.”

34. Section 43 of the NGAS requires that:

“The Accounting Unit shall maintain perpetual inventory records such as PPE Ledger Cards among others for each category of PPE xxx. The Subsidiary ledger cards shall contain details of the General Ledger Account. And, for check and balance, the Property Officer shall maintain Property Cards of PPE. The balance in quantity per property cards should always tally/reconcile with the ledger cards of the accounting unit.”

35. Verifications revealed that the reconciliation of balances between the books and inventory report submitted by TESDA – Ilocos Sur Provincial Office resulted in an unreconciled variance of P340,318.96 at year end.

36. Details of PPE per books and inventory report is shown below:

<table>
<thead>
<tr>
<th>Items</th>
<th>Per Books</th>
<th>Per Inventory Report</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Building</td>
<td>3,514,535.74</td>
<td>3,642,253.70</td>
<td>(127,717.96)</td>
</tr>
<tr>
<td>Office Equipment</td>
<td>150,179.89</td>
<td>252,531.89</td>
<td>(102,352.00)</td>
</tr>
<tr>
<td>Furnitures &amp; Fixtures</td>
<td>224,091.00</td>
<td>210,840.00</td>
<td>13,251.00</td>
</tr>
<tr>
<td>Other Machinery Equipment</td>
<td>65,359.75</td>
<td>198,659.75</td>
<td>(133,300.00)</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>971,960.00</td>
<td>971,960.00</td>
<td>-</td>
</tr>
<tr>
<td>Other Property, Plant &amp; Equipment</td>
<td>34,755.00</td>
<td>24,955.00</td>
<td>9,800.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,960,881.38</strong></td>
<td><strong>5,301,200.34</strong></td>
<td><strong>(340,318.96)</strong></td>
</tr>
</tbody>
</table>

37. Based on the above matrix, comparison of records between the Inventory Report and the Trial Balance submitted as of year-end, showed a difference of
P340,318.96. Accounting deficiencies from the above tabulation may have been attributed by the following cause/s:

- There was no periodic reconciliation between accounting and property records so that any adjustment or disposal drawn/made from either of these two records may have not been taken up.
- No subsidiary ledger has been maintained by the accounting unit to substantiate the general ledger for controlling purposes.
- The variances revealed that the properties recorded in the books are greater than the inventory reports submitted.

38. With the aforesaid observations, the validity, correctness and existence of Plant Property and Equipment totaling P4,960,881.38 as presented in the financial statement of TESDA – Ilocos Sur Provincial Office could not be ascertained and substantiated at year-end. Consequently, the PPE and the Government Equity account may also be misstated and the condition or status of the same could not likewise be established.

39. Also, the following rules and regulations govern the proper accounting for and safeguarding of PPEs:

a. Section 66, Vol. II of the Manual on the NGAS – “The Report on the Physical Count of Property, Plant and Equipment (RPCPPE) shall be used to report the physical count of PPE by type as of a given date. It shows the balance of property and equipment per cards and per count and shortages, if any.”

b. Section 58 of PD 1445 - “Examination and audit of assets shall be performed with a view to ascertaining their existence, ownership, valuation and encumbrances as well as the propriety of items composing the respective asset accounts; determining their agreement with records; ascertaining if the assets were utilized economically, efficiently and effectively; and evaluating the adequacy of controls over the accounts.”

40. The provisions of the NGAS Manual, Volume 1, PD 1445 and GAAM requiring the periodic physical inventory of property and submission of inventory report has been disregarded by Marcos Agro-Industrial School, Pangasinan School of Arts and Trade, and Pangasinan Technological Institute in CY 2015.
41. While it is true that actual physical inventory was conducted by the schools during the year, the final report was not submitted to our office as at this writing, hence review of the property, plant and equipment accounts could not be made and the validity, existence and accuracy of the property records could not be determined.

42. Non-rendition of a complete inventory report as at year-end and maintenance of Property Stock Cards made it impossible for the audit team to perform alternative measures to verify the validity, existence and accuracy of the Property, Plant and Equipment account balance.

Recommendations:

43. We recommended management to instruct the concerned personnel to reconcile their records and make appropriate adjustments. Accounting Unit should maintain subsidiary ledger to support the general ledger, while the Property Officer should maintain a Property Card and together should update the itemized list of PPE to support SL balances.

44. Create an Inventory Committee to conduct physical inventory of all properties at least once a year and prepare the Report of Physical Count of Plant, Property and Equipment (RPCPPE) for submission to the Accounting Unit pursuant to Section 66, Vol. II of Manual on NGAS and Section 58 of PD 1445.

45. Require the Supply Officer to coordinate with the Accountant/Bookkeeper and analyze the variances between the balances per books and the Inventory Report and prepare the necessary adjustments.

46. Management of TESDA – Ilocos Sur Provincial Office assured the audit team that the Property Custodian will prepare and maintain Stock Cards, Requisition Issue Slips and Supply Ledger Cards and reconcile these documents with the accounting unit to have fair presentation of the PPE.

47. Management of Marcos Agro-Industrial School, Pangasinan School of Arts and Trade, and Pangasinan Technological Institute assured the audit teams that recommendations will be implemented in the schools.

 Unavailability of Equipment and Inventory Items during Physical Count

Various equipment and inventory items of TESDA – La Union Provincial Office were not available during physical inventory count which is not in
accordance with Presidential Decree No. 1445 otherwise known as the State Audit Code of the Philippines thus, raising doubts on the physical existence and proper handling and custody of public properties.

56. Section 102 of the Presidential Decree No. 1445 states that –

“Person entrusted with the possession or custody of the funds or property under the agency head shall be immediately responsible to him without prejudice to the liability of either party to the government.”

57. During the physical inventory taking of property, plant and equipment of the agency, various equipment and inventory items were not presented. The designate Supply Officer told to the audit team that various equipment were at the custody of the beneficiary local government for a sponsored program by TESDA and other inventory items were at the custody of the accountable officer because there is no space in the provincial office to safe keep the said properties.

Recommendation:

58. We recommended that management should require all the accountable officers to properly present all the properties, equipment and inventory items under their custody to satisfy the physical existence of the properties. In addition, we recommend the management to provide a secured place in the provincial office where equipment and inventory items are not yet in use for proper safe keeping so that it will be easily available any time when needed.

59. Management committed to adhere with our audit recommendations.

❖ Not properly recorded and unrecorded buildings

Various buildings amounting to a total of P7,448,358.32 booked under TESDA Regional Office were used by the TESDA Regional Training Center (RTC) thus depreciation expenses of the said buildings were recognized under the books of the regional office but the benefits deriving thereof were received by RTC, thus matching principle of expenses and revenues was not attained and one (1) building located at the regional office compound was not recorded in the books of the agency, thus resulting in the understatement of the property, plant and equipment account as reflected in the financial statements.

60. During the conduct of physical inventory of property, plant and equipment of the regional office, we noted that the several buildings used by RTC for its various
training programs and administrative building were recorded under the books of Regional Office. Below are the details:

<table>
<thead>
<tr>
<th>Article</th>
<th>Description</th>
<th>Total Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building II</td>
<td>Carpentry and Electrical</td>
<td>P 1,344,407.23</td>
</tr>
<tr>
<td>Building III</td>
<td>Machine Shop, Electronics Trade area, RTC Office and Conference Room</td>
<td>1,882,788.12</td>
</tr>
<tr>
<td>Building IV</td>
<td>Welding Trade Area</td>
<td>755,843.40</td>
</tr>
<tr>
<td>Building V</td>
<td>Automotive and Refrigeration &amp; Air-conditioning Trade Area</td>
<td>1,963,052.77</td>
</tr>
<tr>
<td>Building VI</td>
<td>RTC Dormitory</td>
<td>592,266.80</td>
</tr>
<tr>
<td>Building X</td>
<td>RTC Staff House</td>
<td>660,000.00</td>
</tr>
<tr>
<td>Building XI</td>
<td>Electrical Simulation</td>
<td>250,000.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>P 7,448,358.32</strong></td>
</tr>
</tbody>
</table>

61. The depreciation expenses of the aforementioned buildings were recognized under the books of the regional office, but benefits deriving from the said property were received by RTC, thus matching the expenses with the related revenue were not attained in the presentation of the financial statements of both agencies.

62. In addition, we noted that the Driver’s Quarters and Archive Room Building located at the TESDA Region 1 compound was not recorded in the books, thus the Property Plant and Equipment account of the regional office was understated as presented in the financial statements.

**Recommendations:**

63. We recommended the management of TESDA ROI to transfer the said buildings to RTC to be able to match the corresponding expenses incurred for the said property with the benefits deriving thereof, in accordance with the matching principles. Furthermore, transfer of the said properties should be in accordance with the Section 76 of PD 1445 otherwise known as the State Audit Code of the Philippines for proper transfer of responsibility and accountability.

64. Also, we recommended that accounting department should recognize the Driver's Quarters and Archive Room Building at its cost on the regional office books in accordance with PPSAS 17/IPSAS 17 of the Philippine Public Sector Accounting Standards Volume II to have fairly presented financial statements.

65. The management assured the audit team that they will prepare a journal voucher to document the transfer of buildings to the RTC. Also, the Appraisal Committee will
determine the cost of the building to be the basis of the accounting department to record in the books of the agency.

Unlabeled properties and equipment

Property numbers were not assigned to the properties and equipment of TESDA – Regional Office and TESDA – La Union Provincial Office which was not in accordance with COA Circular No. 80-124 dated January 18, 1980, thus identification of the properties to facilitate in the physical inventory taking cannot be easily attained.

66. Section V of COA Circular No. 80-124 states that –

“Government property shall be properly labeled and identified by the Inventory Committee. Inventory labels of special materials shall contain among others the individual property number to be provided by the corporation concerned. These numbers shall be uniformly printed in India Ink, to achieve permanence and best results, and shall be posted on a prominent but secure portion of the property for easy identification.”

67. We noted that neither property numbers nor property tags were assigned to the agencies’ properties and equipment, thus there was a hard time identifying the items in the inventory list during the physical inventory taking.

Recommendation:

68. We recommended that the supply officers should assign inventory tags for all properties and equipment of the agency in conformity with COA Circular No. 80-124.

69. Management committed to adhere with our audit recommendations.

Telephone Calls Not Properly Authorized

No certification from the agency head or his authorized representatives of Pangasinan Technological Institute were attached to the disbursement vouchers of telephone services as required in COA Circular 2012-001 dated June 14, 2012, thus validity of said expenses cannot be ensured.
70. Section 6.2 of COA Circular No. 2012-001 dated June 14, 2012 requires that there should be a certification by the agency head or his authorized representatives that all National Direct Dial (NDD), National Operator Assisted Calls and International Operator Calls are official calls.

71. We noted that said certifications were not attached on the disbursement vouchers of all telephone bills paid. Thereby, you cannot easily determine if all incurred calls were properly authorized and official.

72. Also, we noted that significant calls made from the office landline number to several mobile numbers contributed to the high amount billed to the agency, thus material amount was being utilized for communication expenses.

Recommendations:

73. We recommended the management to attach certification from the agency head or his authorized representative to all disbursement vouchers of telephone expenses to support the calls incurred as official and valid.

74. Also, we recommended the management to consider an alternative way to lessen the communication expenses to utilize the agency’s fund efficiently.

75. The management committed to adhere with the audit recommendations.

R.A. 9184

❖ Non-posting of Procurements in the PhilGEPS

Non-posting of procurements of TESDA – Regional Training Center and Pangasinan Technological Institute amounting to more than P50,000.00 in the Philippine Government Electronic Procurement System (PhilGEPS) website is not in accordance with 53.9 - Small Value Procurement of the Revised Implementing Rules and Regulations (IRR) of RA 9184 and Government Procurement Policy Board (GPPB) Resolution No. 09-2009 thus raising doubts on the transparency, validity and propriety of the purchases and payments made.

76. Section 3.d of the GPPB Resolution No. 09-2009 states that -
“RFQs shall also be posted for a period of seven (7) calendar days in the Philippine Government Electronic Procurement System (PhilG-EPS) website, website of the procuring entity, if available, and at any conspicuous place reserved for this purpose in the premises of the procuring entity. However, in the following instances, this posting requirement shall not be applicable:

i. When there is an unforeseen contingency requiring immediate purchase under Section 52.1(a) of the IRR; or

ii. RFQs with ABCs equal to Fifty Thousand Pesos (Php50,000.00) and below.”

77. Disbursement vouchers for the purchases amounting to a total of P2,765,467.35, details were presented in Annex “D”, were not supported by an advertisement posted in the PhilGEPS website which is in contrary with GPPB Resolution No. 09-2009, thus transparency and wider scope of procurement opportunities for the said transactions were not attained.

Recommendation:

78. We recommended that the management should post all its procurement with approved budget for the contract that exceeds to P50,000.00 to the PhilGEPS website to ensure transparent access to government wide-procurement opportunities.

79. The management of Regional Training Center explained that their purchases from January to June 2015 were not posted in PhilGEPS website due to their registration to PhilGEPS was only approved on July 2015. Majority of their purchases were intended for skills training programs and cannot postpone the procurement of the said supplies and materials until the approval of the said registration. Management assured that they already posted their purchases of more than P50,000.00 in the PhilGEPS website.

80. Management of Pangasinan Technological Institute informed the audit team that they are having problems on their PhilGEPS registration and they cannot log-in on the said website due to the blocked account. However, they committed to coordinate again with GPPB to address the problem and adhere with the audit recommendations.

Small Value Procurement
Necessary supporting documents were not attached to the disbursement vouchers of Pangasinan Technological Institute representing payments of goods and services costing Fifty Thousand pesos (P50,000.00) which were not in accordance with 53.9 - Small Value Procurement of the Revised Implementing Rules and Regulations (IRR) of RA 9184 and Government Procurement Policy Board (GPPB) Resolution No. 09-2009 thus raising doubts on the transparency, validity and propriety of the purchases and payments made.

81. Section 3 of the GPPB Resolution No. 09-2009 dated November 23, 2009, Guidelines for Shopping and Small-value Procurement states that:

   a. “The Request for Quotation (RFQ), indicating the specification, quantity, Approved Budget for the Contract (ABC), and other terms and conditions of the item to be procured, shall be prepared.

   b. The RFQ must also prescribe the manner by which price quotations shall be submitted i.e., by sealed or open quotation, and the deadline for their submission. In all instances, however, information relating to the examination, evaluation, and comparison of price quotations shall be kept confidential and should not be disclosed to any other party except to those officially concerned until award of contract.

   c. The RFQ shall be sent to at least three (3) suppliers, contractors, or consultants of known qualifications. However, during unforeseen contingencies requiring immediate purchase under Section 52.1(a) of the IRR, the RFQ may be sent to only one (1) supplier.

   d. RFQs shall also be posted for a period of seven (7) calendar days in the Philippine Government Electronic Procurement System (PhilG-EPS) website, website of the procuring entity, if available, and at any conspicuous place reserved for this purpose in the premises of the procuring entity. However, in the following instances, this posting requirement shall not be applicable:
i. When there is an unforeseen contingency requiring immediate purchase under Section 52.1(a) of the IRR; or

ii. RFQs with ABCs equal to Fifty Thousand Pesos (Php50,000.00) and below.

e. After the deadline for submission of price quotations, an Abstract of Quotations shall be prepared setting forth the names of those who responded to the RFQ, their corresponding price quotations, and the lowest quotation (for goods or infrastructure projects) or highest rated offer (for consulting services) submitted.

f. For Shopping under Section 52.1 (b), at least three (3) price quotations must be obtained.

g. The deadline for submission may be extended if none or less than the required number of price quotations is received. Extensions of deadline shall be posted in accord with subparagraph 3(d) of these Guidelines.

h. Award of contract shall be made to the lowest quotation (for goods or infrastructure projects) or, after successful negotiations, the highest rated offer (for consulting services) which complies with the specifications and other terms and conditions stated in the RFQ.

i. For information purposes, all awards shall be posted in the PhilG-EPS website, website of the procuring entity, if available, and at any conspicuous place reserved for this purpose in the premises of the procuring entity except for those with ABCs equal to Fifty Thousand Pesos (Php 50,000.00) and below.

j. The procuring entity must validate whether it is entering into a contract with a technically, legally and financially capable supplier, contractor or consultant by requiring the submission of relevant documents or through other means.
82. In the post-audit of agency’s accounts, we noted that only Canvass Sheets with incomplete details from three suppliers were attached to the disbursement vouchers of the small value procurements and some purchases were not supported at all by proper documents, thus the reliability of the purchases cannot be ascertained.

Recommendations:

83. We recommended management to revisit the Small Value Procurement 53.9 of the Revised IRR of RA 9184 and GPPB Resolution No. 09-2009 dated November 23, 2009 in order to facilitate the transactions under the Small Value procurement to promote transparency and validity of the procurement procedures of the agency. Also, strictly comply with Revised Implementing Rules and Regulations (IRR) of Republic Act 9184 in all future procurement transactions of the agency.

84. Management committed to adhere with our audit recommendations.

Procurement of Commonly Used Goods and Supplies Thru PS-DBM

Procurement of commonly used goods and supplies of TESDA – Regional Training Center was not done thru Procurement Service of the Department of Budget and Management (PS-DBM) as required under Administrative Order No. 17 dated July 28, 2011 and GPPB Resolution No. 12-2006 dated June 14, 2006, thus the policy of procuring supplies and materials in the most economical and efficient manner were not achieved.

85. “Section 4 of Administrative Order No. 17 dated July 28, 2011 states that –

“Common-use supplies shall be procured directly from the PS or its depots without need of public bidding as provided in Section 53.5 of the Implementing Rules and Regulations (IRRs) of R.A. 9184.”

86. In addition, GPPB Resolution No. 12-2006 dated June 14, 2006 prescribed that alternative mode of procurement could be done but shall be subjected to the rule that supplies and equipment must not be available in the PS-DBM.

87. We observed that purchases of common used goods and supplies of the agency amounting to a total of P172,648.60, details shown in Annex “E”, were done through “shopping” as the mode of procurement and certifications that the goods and supplies
that are not available from the PS-DBM were not attached on the disbursement vouchers of the said purchases which is not in accordance with Administrative Order No. 17 and GPPB Resolution No. 12-2006.

88. **We recommended the management to directly procure common used goods and supplies of the agency through the PS-DBM before resorting to other mode of procurement and in case of non-availability of stocks, attached to the disbursement vouchers certification that certain items were not available in the procurement service.**

89. Management mentioned to the audit team that majority of the supplies and materials requested were not available most of the time in the procurement service that is why they resorted in procuring from other suppliers. Also, other purchases were needed immediately so they did shopping instead of directly buying to procurement service to facilitate fast purchase of the emergency items. However, management committed to adhere with our audit recommendations.

**Non-submission of Accounts within the Reglementary Period**

Official Receipts, Disbursement Vouchers, and other Financial Reports of four (4) TESDA Provincial Offices (ISPO, INPO, LUPO and PPO), three (3) Training Centers (RTC, PTC and including Rosales Skills Training Center) and three (3) TESDA Administered Schools (PSAT, LMMSAT and PTI). were not submitted on time to the COA Unit, which is not in accordance which Section 7.2.1a of the Rules and Regulations on the Settlement of Accounts, resulting in our inability to audit the Agency’s account on time in order to determine the authenticity and validity of claims from the government.

90. Section 7.2.1a of the Rules and Regulations on the Settlement of Accounts (RRSA) as prescribed for use under COA Circular 2009-006 dated September 15, 2009 provides that: “The Chief Accountant, Bookkeeper and/or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure that the reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the Auditor within ten (10) days of the ensuing month.”

91. It was observed that submission of disbursement vouchers and the other financial reports like the trial balance, journals and financial statements, to Audit Team for audit was oftentimes delayed as shown in Annex “F”, which is not in accordance with section 7.2.1 of the Rules and Regulations on the Settlement of Accounts (RRSA).
92. Due to the late submission of reports together with the disbursement vouchers and other financial reports, timely audit of the agencies’ transactions to determine the authenticity and validity of claims from the government could not be undertaken.

**Recommendation:**

93. **We recommended that the Accounting Department be required to submit Official Receipts, Disbursement Vouchers, and Financial Reports to the Audit Team within the prescribed period to enable the timely audit of the Agency’s transaction.**

94. Management committed to try their very best to submit the required documents on time

**Non-submission of Purchase Order and Contracts**

Copies of the contracts/purchase orders of TESDA – Ilocos Sur Provincial Office, Pangasinan Technological Institute and Luciano Millan Memorial School of Arts and Trade were not submitted to the Office of the Auditor within the prescribed period upon its perfection and the agency did not notify the same of the scheduled delivery of the said purchases, which is not in compliance with COA Circular No. 2009-001 dated February 12, 2009 and COA Circular No. 95-006 dated May 18, 1995, thus, resulting in the untimely evaluation of the said purchase order and non-conduct of inspection, thereby management could not timely implement relevant recommendations and/or corrective measures that could improve the agency’s operations.

95. Under COA Circular No. 2009-001 dated February 12, 2009, the agencies are required to furnish the auditor a copy of perfected contracts and purchase orders within five working days upon approval together with the supporting documents for review.

96. COA Circular No. 95-006 dated May 18, 1995 also provides that the agency official responsible for accepting deliveries of procured items shall notify the auditor of the time and date of the schedule of deliveries within twenty four (24) hours of such acceptance.

97. It was observed and noted that copies of perfected contracts and purchase orders with notice of deliveries during the year were not served to the team by the BAC and the Supply Officer, hence, timely validation/inspection of the items delivered were
not done. Please see attached List of Purchases made of which copies were not submitted to the Office of the Auditor, marked as Annex “G” of this report.

Recommendation:

98. We recommended that management should call the attention of the BAC and the Supply Officer to furnish the Office of the Auditor with copies of contracts and purchase orders within five days after perfection thereof together with the notice of the schedule of deliveries within 24 hours after acceptance of such deliveries for timely inspection/validation of the items delivered.

99. During the exit conferences, the management assured the audit team to strictly comply with the audit recommendation.

Non-Maintenance of Subsidiary Ledgers

Subsidiary Ledgers of the controlling accounts appearing in the General Ledger of TESDA – Ilocos Sur Provincial Office, TESDA – La Union Provincial Office, TESDA – Pangasinan Provincial Office, Regional Training Center, Provincial Training Center, Pangasinan School of Arts and Trade, Luciano Millan Memorial School of Arts and Trade, and Pangasinan Technological Institute were not maintained, which was not in conformity with Section 4 (Basic Features and Policies) and Section 12, (Volume II), National Government Accounting System (NGAS) Manual, hence, the validity, reliability and propriety of such accounts could not be properly ascertained and reconciled, affecting the fairness of presentation of the financial statements to such extent.

100. Section 4 of the NGAS provides, among others, that:

   a) Xxx

   d) Books of accounts. All national agencies shall maintain two sets of books, namely:

   Regular Agency Books. These shall be used to record the receipt and utilization of Notice of Cash Allocation (NCA) and other income/receipts which the agencies are authorized to use and to deposit with Authorized Government Depository Bank and the National Treasury. These shall consist of journals and ledgers, as follows:

   Journals
• Cash Receipts Journal (CRJ)
• Cash Disbursements Journal (CDJ)
• Check Disbursements Journal (CkDJ)
• General Journal (GJ)

Ledgers
• General Ledger
• Subsidiary Ledgers (SL) for:
  ➤ Cash
  ➤ Receivables
  ➤ Inventories
  ➤ Investments
  ➤ Property, Plant and Equipment
  ➤ Construction in Progress
  ➤ Liabilities
  ➤ Income
  ➤ Expenses

National Government (NG) Books. These shall be used to record income which the agencies are not authorized to use and are required to be remitted to the National Treasury. These shall consist of:

• Cash Journal
• General Journal
• General Ledger
• Subsidiary Ledger (emphasis supplied)

101. Parallel to that, Sec. 12, Volume II of the NGAS Manual provides, in part:

“Subsidiary Ledgers (SL). The SL is a book of final entry containing the details or breakdown of the balance of the controlling account appearing in the general ledger (GL).XXX. The totals of the SL balances shall be reconciled with their respective control account regularly or at the end of each month. Schedules shall be prepared periodically to support the corresponding controlling GL accounts. (emphasis supplied)

102. Verification of accounts for the CY 2015, specifically, on cash accounts, revealed that Subsidiary Ledgers were not maintained by the Accounting Unit for each
“control account” in the General Ledger, which was not in conformity with Sec. 12, Volume II of the NGAS Manual. At the end of each month, the totals of the Subsidiary Ledger Balances could not be reconciled with the corresponding controlling account.

103. In the absence of such subsidiary records and controls, accountability of the asset could not be reconciled with the Records maintained by the Cashier and the general ledger accounts and any discrepancies could not be immediately verified and adjusted.

Recommendation:

104. We recommended management to strictly require the Accounting Department to prepare and maintain the necessary Subsidiary Ledgers and General Ledger as required under Section 4 (Basic Features and Policies) and Sections 10 to 12, Volume II of the National Government Accounting System (NGAS) Manual to cast away the doubt on the fair presentation of its financial statements.

105. Management committed to adhere with our audit recommendations.

No Proper Turnover of Accountabilities

The outgoing Disbursing Officer of Pangasinan School of Arts and Trade did not submit to the audit team a report of his accountability which is in contrary with Section 80 of Presidential Decree No. 1445 otherwise known as State Audit Code of the Philippines, thus proper turnover of accountabilities cannot be ascertained.

106. Section 80 of P.D. 1445 states that an accountable officer, upon ceasing to act in his official capacity as such, shall submit to the auditor of the agency concerned a report of his accountability.

107. The new disbursing officer started her duties as the new accountable officer last August 1, 2015 but the outgoing disbursing officer, did not inform the audit team about the change of designation. Also, he did not submit a report of his accountability thus proper turnover of accountabilities from the outgoing officer to the incoming accountable officer cannot be assumed.

Recommendation:

108. We recommended that in any possible change of accountable officer in the future, the management should inform the audit team and submit a report of
accountability of the outgoing officer to have a proper turnover of accountabilities and relieve the outgoing officer from his accountability and transfer to the incoming officer the accountability thereof.

109. Management commented that the outgoing officer properly turned over all his accountabilities to the new cashier but did not inform the audit team thereof. The management committed to informed beforehand the audit team any change of responsibilities within the agency and will adhere will our audit recommendations.

Segregation of Duties and Functions

The duties and functions of the Cashier and Administrative Officer of TESDA – Pangasinan Provincial Office were assigned to only one person contrary to Section 50 of the Government Accounting and Auditing Manual (GAAM), Volume III, which may result in a possible manipulation of records and concealment of errors and irregularities of their transactions.

110. Section 50 of the GAAM Volume III states:

"Segregation of duties and functions – Key duties and functions such as authorization, custody and accounting shall be assigned to separate offices and individuals to eliminate opportunities to conceal errors and irregularities."

111. During the conduct of cash examination on the cash and accounts of Administrative Officer IV/Acting Cashier last November 2, 2015, we noted that one employee acts as both the Administrative Officer and concurrent Cashier which shows a weakness in internal control of the agency.

112. One of the control activities is the segregation of duties. Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets.

113. According to the management, there is a lack of personnel due to the limited number of permanent items as per plantilla of employees of TESDA Provincial Office, thus one of the employees handle both incompatible functions.

Recommendation:
114. We recommended management to appoint the most qualified next-in-rank employee to act as a Cashier pursuant to Section 50 of GAAM Vol. III in order to have an effective check and balance over their transactions and to avoid any irregularities.

115. Management informed the audit team that they already have additional personnel to handle the position and will surely adhere with the audit recommendation.

II. Value for Money Audit

Non-distribution of Toolkits under GPB or BUB

Toolkits costing P4,122,400.00 and P2,574,929.00 for TESDA – Ilocos Sur Provincial Office and TESDA – Ilocos Norte Provincial Office, respectively, for the implementation of CY 2015 Grassroots Participatory Budgeting Process (GPB) or Bottom-Up Budgeting (BuB) approach were only delivered sometime in January 2016 thus resulting to non-distribution of toolkits to implementers as at December 31, 2015 which also delayed the full implementation of priority poverty reduction projects as identified at the city/municipal level through a participatory planning and budgeting process and deferred the benefits of the graduates the chance to learn and earn a living.

116. Records show that Ilocos Sur Provincial Office used to have about P7.5M budget and Ilocos Norte Provincial Office used to have about 5M budget for the implementation of Grassroots Participatory Budgeting Process (GPB) or Bottom-Up Budgeting (BUB). The graduates for CY 2015 finished food processing, shielded metal arc welding, dressmaking, service small engine system and components, maintenance and repair of electronically-controlled domestic appliances, hair cutting services, wiring system, manicure/pedicure and bread making. Some toolkits relative to the GPB/BuB program have already been delivered to the Provincial Offices as of today, however these were not yet distributed to implementers/municipalities due to incomplete delivery.

117. As of February 2016 toolkits costing P4,122,400.00 and P2,574,929.00 for Ilocos Sur and Ilocos Norte, respectively were still intact at the storage room ready for the distribution upon completion.
118. We have asked for the timetable in the delivery and distribution of tool kits; however the employees were not able to provide one because distribution would solely depend on the date of delivery by the procuring entity, the Regional Office. The employees assured that they could prepare timetable for efficiency and effectiveness of service.

Recommendation:

119. We recommended that Management make representations with Regional Office to:

- Set a timetable in order that benefits/purpose from the use of tool kits would be derived by the beneficiaries;
- Strictly observe/follow deadlines/targets dates necessary to attain the prompt implementation of the program;
- Expedite delivery of tool kits to POs and distribution to municipalities/grantees.

120. Management have already set distribution of toolkits timetable and assured the audit teams that tool kits will be distributed the moment they have completed the following transactions:

- Check on the completeness of all the tool kits delivered before its distribution.
- Acceptance and inventory of tool kits by the Provincial Office.
- Have all the tool kits duly inspected by the committee with the presence of auditors and suppliers.

Special Training for Employment Program (STEP)

- Late distribution of starter toolkits

Starter toolkits in TESDA – Ilocos Sur Provincial Office and Pangasinan Provincial Office were not distributed immediately to the scholars upon finishing the training programs under the Special Training for Employment Program (STEP) which is not in consonance with TESDA Circular No. 05, series of 2014 dated February 10, 2014 and TESDA Circular No. 04, series of 2015 dated January 5, 2015, thus the beneficiaries were deprived of the immediate use of the toolkits for their entrepreneurial, self-employment and service-oriented activities due to the late distribution thereof.
121. 2,856 out of 3,678 graduate scholars from 2014 STEP in the province of Ilocos Sur and Pangasinan claimed their toolkits sometime in the year 2015, and the remaining toolkits of 822 graduate scholars remained undistributed. Below were the details:

<table>
<thead>
<tr>
<th>Province</th>
<th>Total Graduates</th>
<th>Total Tool Kits Received by the Trainees</th>
<th>Undistributed Tool Kits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ilocos Sur</td>
<td>1,049</td>
<td>934</td>
<td>115</td>
</tr>
<tr>
<td>Pangasinan</td>
<td>2,629</td>
<td>1,922</td>
<td>707</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3,678</strong></td>
<td><strong>2,856</strong></td>
<td><strong>822</strong></td>
</tr>
</tbody>
</table>

122. It was noted from the report submitted to the audit team that 155 toolkits were not yet distributed to the 2014 STEP graduate scholars, because said toolkits were not yet delivered to the regional office due to failed bidding and 667 toolkits were still on hand because the agencies in charged were still coordinating with the partner LGUs and partylists for the schedule of the distribution.

123. On the other hand, there were 1,505 graduate scholars from the 2015 STEP for Region 1 and no starter toolkits were given to them due to non-delivery of the same to the Regional Office by the Central Office.

124. The delay in distributing the toolkits to the recipient defeats the purpose for which these were purchased and denying the graduate scholars of the benefit that could have been derived thereon.

**Recommendation:**

125. We recommended prompt distribution of toolkits to address program’s objective to provide skills training opportunities for the beneficiaries in the barangays/communities for employable skills and for them to be productive.

126. Management said that it is beyond the control of Provincial Offices to distribute the toolkits to their beneficiaries on time since the delivery of the toolkits were delayed due to the procurement process was implemented by TESDA Central Office and were delivered first to the Regional Office then to the Provincial Offices. However, upon receipt of the tool kits by the Provincial Office, they immediately process the distribution to the scholars.
127. Also, they informed the Audit Team that starter tool kits for the 2015 STEP were already delivered in the Regional Office and were waiting for inspection and distribution to the provincial offices.

Auditor’s Rejoinder:

128. The responsibility of the Provincial Office is to follow-up the deliveries of the toolkits for prompt distribution to scholars/graduates/beneficiaries.

 SQLAlchemy

 Toolkits acknowledgment receipts

Receipt by the trainee of the starter toolkits of TESDA – Pangasinan Provincial Office were not supported by the required Acknowledgment Receipt format as stated in Section 11.8 of TESDA Circular No. 04, series of 2015, thus accuracy, completeness and existence of the items received by the graduate scholar cannot be determined.

129. Section 11.8 of TESDA Circular No. 04, series of 2015 states that –

“xxx. Said tool kits shall be released to the scholars by the P/DO concerned at the end of the training program. Receipt by the trainee of the starting tool kit shall be supported by an Acknowledgment Receipt following the format hereto attached as Annex B. Such Acknowledgment Receipt must be witnessed by the Provincial/District Director concerned.”

130. We observed that the format of the acknowledgment receipt submitted to the audit team to support the distribution of starter toolkits of graduate scholars were not in consonance with the required format as given in the abovementioned Circular. The required format provides the list of the items and quantity included in the toolkits to be received by the recipients and should be noted by the provincial/district director. Absence of the mentioned details will raise doubts on the validity and reliability on the releasing of toolkits to the recipients.

Recommendation:

131. We recommended management to instruct the officer-in-charge on the distribution of toolkits to use and accomplish the required format of acknowledgement receipts in compliance with TESDA Circular No. 05.

132. Management commented that they designed their own acknowledgement receipt to facilitate fast distribution of toolkits to the recipients. However, for the next
distribution of the tool kits, they will ensure that they will use the required acknowledgement receipt.

Training for Work Scholarship Program

An employment rate of fifty-one percent (51%) from the TWSP scholar graduates was attained which is in accordance with Section 8.3 of TESDA Circular No. 02, Series of 2015, Implementing Guidelines for 2015 Training for Work Scholarship Program.

133. Section 8.3 of TESDA Circular No. 02, Series of 2015, Implementing Guidelines for 2015 Training for Work Scholarship Program states that:

“The Regional/Provincial/District Offices (RO/PO/DO) shall ensure that the beneficiary TVIs were able to monitor/report at least fifty percent (50%) employment rate of its graduates of the qualifications included in the QMs submitted. The report on employment rate shall be applicable only for the TWSP programs that have been completed at least six (6) months prior to new QM application under the TWSP in the same qualification. An electronic copy of the MIS-03-02 report which includes the employment status shall be submitted to the TESDA Scholarships-Program Management Office (PMO).”

134. The management has complied with the implementing guidelines as the Audit Team determined an employment rate of fifty-one percent (51%) from the scholar graduates of TWSP (See Annex “H”).

Recommendation:

135. We recommended the management to continuously adhere to the Section 8.3 of TESDA Circular No. 02, Series of 2015 to ensure the effectivity of the program and to assert the scholar graduates’ immediate employment.

Performance Audit

136. For the Calendar Year 2015, TESDA Region I recorded 115,892 persons enrolled in training programs in all modes of delivery which is 2% higher than its 113,363 enrollment accomplishment in 2014.
137. Training output performance for the whole region stood at 146,971 graduates against 115,892 targets for the year. The graduates figure is the sum of the graduates enrolled during the year and in the later part of 2014.

**Assessment and Certification Program**

138. For the year 2015, Assessment and Certification in Region 1 never failed to achieve its aim with 95,874 candidates assessed which is more than its target of 14,577 by 11,260. On certification of assessed individuals, 87,943 were certified having a certification rate of 92%. Certification rate is the percentage rate of the total number of certified from the total number assessed individuals.

**TESDA – Private Education Student Financial Assistance (PESFA)**

139. The TESDA Private Education Student Financial Assistance (PESFA) Program is a form of assistance which prioritizes marginalized but deserving students in private education in accordance with R.A. 8545, the “Expanded Government Assistance to Students and Teachers in Private Education.” This is another scholarship window of TESDA for deserving students who wish to train in private Technical Vocational Institutions (TVIs). Allocations and distribution of PESFA slots are by district. For the year, the Region has allocated 889 slots with a total budget allocation amounting to P8,442,000.00, wherein 1,143 scholars were enrolled in various qualifications and 889 graduates in the Region’s twelve (12) districts. Please refer to Annex “I”.

**TESDA – Training for Works Scholarship Program (TWSP)**

140. The TWSP is a commitment of the government to capacitate the people to build national competencies. For the Calendar Year 2015, the regular allocation for the Region totaled to 7,890 vouchers amounting to 53,303,500, and the National Competency Assessment and Certification (NATCAC) had an allocation of 3,523 slots amounting P1,897,500.00. All the vouchers were utilized in 2015. Overall, the TWSP has produced 10,868 trained workers from 11,413 total enrollees. Please refer to Annex “J”.

**Grassroots Participatory Budgeting (GBP) Projects**

141. Grassroots Participatory Budgeting Projects are projects identified by Agencies taking into consideration the development needs of cities/municipalities which aim to increase employability, enhance social inclusion and create jobs. For the year, the
Central Office allocated Scholarship Funds with a total amount of P32,311,000.00 for the 3,162 slot allotments, wherein 3,155 graduated from the 3,162 enrollees of various training programs organized and conducted by LGU Training Centers in the entire Region. Please refer to Annex “K”.

Special Training for Employment Program (STEP)

142. The STEP is a community-based specialty training program which provides skills training opportunities for the beneficiaries in the barangays/communities to make them employable and productive. For the year 2015, the Region has allocated 1,505 slots with Scholarship Funds received from the Central Office amounting to P10,627,724.00 wherein 1,505 were enrolled and graduated in different training program/qualifications. Please refer to Annex “L”.

Compliance with Tax Laws

Withholding taxes from employees’ compensation as well as Value Added Tax (VAT) from procured goods of TESDA Regional Office, four (4) Provincial Offices (PO), three (3) Training Centers (TC) including Rosales Skills Training Center, and four (4) TESDA Administered Schools of the region, were remitted to the Bureau of Internal Revenue in accordance with the provisions of Sections 57, 106, 108 and 251 of the National Internal Revenue Code (NIRC).

143. Sections 106 and 108 of the National Internal Revenue Code authorized the levy, assessment and collection of value added tax on the sale of goods and services, respectively. Similarly, Section 57 (a) and (b) authorized the withholding of tax of income at source. Likewise Section 251 of the said tax code required the withholding agent to account for and remit the tax withheld.

144. As presented from the attached Annex “M”, the taxes withheld were remitted to the BIR within the prescribed period as provided by the aforementioned Tax Code.

However, taxes were not consistently withheld by accounting department of Pangasinan Technological Institute from suppliers, service providers and utility companies which is not in accordance with BIR Revenue Memorandum Circular No. 23-2014, thus depriving the government from collecting taxes due from the sale thereof.

145. BIR Revenue Memorandum Circular No. 23-2014 dated June 20, 2014 states that-
“All government offices including government-owned or controlled corporations (such as but not limited to the Bangko Sentral ng Pilipinas, Metropolitan Waterworks and Sewerage System, Philippine Deposit Insurance Corporation, Government Service Insurance System, Social Security System), as well as provincial, city and municipal governments are constituted as withholding agents for purposes of the creditable tax required to be withheld on the following:

A. Withholding of Creditable Income Tax, xxx,

B. Withholding Tax on Government Money Payments- xxx

C. For Non-Resident Foreign Contractors, the following withholding tax rates shall apply, subject to applicable tax treat: xxx.

D. Such other withholding taxes that may be mandated from time to time by the Bureau of Internal Revenue in the implementation of the NIRC of 1997, as amended.”

146. During the post-audit of disbursement vouchers of Pangasinan Technological Institute, the audit team noted that no taxes were withheld from the payment to the suppliers, service providers and utility companies, which are in contrary to the aforementioned BIR Memorandum Circular. It is the responsibility of the public sector to withhold taxes on its transactions as a customer (on its purchases of goods and services).

**Recommendation:**

147. We recommended the accounting department to ensure that the required and appropriate withholding taxes are deducted before making any payment to local suppliers, contractors and companies. And strict compliance of BIR Memorandum Circular No. 23-2014 to contribute in timely collection of taxes for the government.

148. During the exit conference, accounting department assured the audit team to adhere with our audit recommendations.
Gender Awareness and Development Program

TESDA Regional Office, three (3) Provincial Offices (PO), three (3) Training Centers (TC) including Rosales Skills Training Center, and four (4) TESDA Administered Schools of the region conducted and implemented the Gender and Development Program in accordance with Section 34 of the 2015 General Appropriations Act and Joint Circular of DBM-NEDA-NCRFW No. 2004-01 dated April 5, 2004.

149. Section 4.4 of the Joint Circular of the Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) and the National Commission on the Role of Filipino Women states that: “the GAD activities in the GAD plan and budget must be included in the agency budget proposal in accordance with the budget call. Agencies shall ensure that the cost of implementing the GAD activities is part of their approved budget. At least five percent (5%) of the total agency budget appropriations as authorized under the annual General Appropriations Act shall correspond to activities supporting GAD.”

However, the budget for GAD plan activities of TESDA – Ilocos Norte and Bangui Institute of Technology was below the 5% threshold as required under COA Circular 2014-001 dated March 18, 2014 and Section 34 of the General Provisions of GAA FY 2015 which could impair the curtailment of gender issues and concerns in Bangui Institute of Technology.

150. The 1987 Philippine Constitution and so with other laws like the Magna Carta for Women, the UN Convention on the Elimination of All forms of Discrimination Against Women (CEDAW), the Beijing Platform for Action (BPfA), the Millennium Development Goals (MDGs) and similar international conventions and commitments recognizes the fundamental equality before the law of women and men.

151. In support thereof, COA Circular 2014-001 dated March 18, 2014 provides:

“Audit of GAD funds shall see to it, among others, that at least five percent (5%) of the total budget appropriations required for gender and development under existing laws and regulations were indeed appropriated and properly utilized for the purpose.”

152. Parallel to the aforesaid rules, Section 34 of the General Provisions of GAA FY 2015 states that:

“The GAD Plan shall be integrated in the regular activities of the agencies which shall be at least five percent (5%) of their budgets.
For this purpose, activities currently undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfillment of human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.”

153. For CY 2015, TESDA – Ilocos Norte Provincial Office and Bangui Institute of Technology had budgeted and spent for GAD the following:

<table>
<thead>
<tr>
<th></th>
<th>Total Appropriation</th>
<th>GAD Budget</th>
<th>Actual GAD Expenses</th>
<th>% Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>INPO</td>
<td>25,895,162.00</td>
<td>85,523.00</td>
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</tr>
<tr>
<td>BIT</td>
<td>8,446,000.00</td>
<td>71,000.00</td>
<td>72,038.31</td>
<td>0.85%</td>
</tr>
</tbody>
</table>

154. As can be gleaned from the above data, the general percentage of the expenses for GAD were only 0.33% and 0.85% of the total appropriations which is far below than what is required by the Section 34 of 2015 GAA and COA Circular 2014-001. With this shortfall, we can deduce that the mainstreamed activities to address the gender issues and concerns were not carefully and thoroughly planned.

Recommendation:

155. We recommended the management for the ensuing year to strictly identify gender issues and concerns to be incorporated in the Work and Financial Plan (WFP) and appropriate the corresponding amount as required under the Section 33 of 2014 GAA and COA Circular 2014-001 and submit the same for endorsement by the Philippine Commission for Women (PCW) in order to efficiently and effectively address such gender issues.

156. Management agreed to comply with the recommendations.

Senior Citizens and Differently-Abled Person

TESDA Regional Office, four (4) Provincial Offices (PO), three (3) Training Centers (TC) including Rosales Skills Training Center, and five (5) TESDA Administered Schools of the region conducted programs for Senior Citizens and Differently-Abled Persons in accordance with Section 34 of General Provisions of the 2015 General Appropriations Act (GAA).
157. Section 35 of General Provisions of GAA FY 2015 provides that: “All agencies of the government shall formulate plans, programs and projects intended to address the concerns of senior citizens and differently-abled persons, insofar as it relates to their mandated functions, and integrate the same in their regular activities.”

**Recommendation:**

158. We recommended the management to continuously adhere to the Section 35 of General Appropriations Act to address the concerns of the Senior Citizens for the ensuing year.

**Compliance with GSIS Employees Deductions and Remittances**

159. Proper observance by TESDA Regional Office, four (4) Provincial Offices, two (2) Training Centers and five (5) TESDA Technological Institutions in the region, are always abiding with the provisions of Republic Act (RA) 8291, the GSIS Act, pertaining to the deduction of GSIS premiums from the salaries of employees and the timely remittance thereof to the GSIS.

160. GSIS premiums were properly deducted from the salaries of employees and amount deducted were remitted on time to the GSIS.

**C. Statement of Audit Suspensions, Disallowances and Charges (SASDC)**

161. For the year-end, there were no Notice of Suspensions, Disallowances and Charges issued. Disallowances before the implementation of Rules and Regulations on Settlement of Accounts (RRSA) amounting to P157,682.05 in TESDA – Pangasinan Technological Institute and P135,781.25 in TESDA - Luciano Millan Memorial School of Arts and Trades remained unsettled.

**D. Status of Implementation of Prior Year’s Audit Recommendation**

162. We made a follow-up on the actions taken by the TESDA Region 1 to implement the recommendations of prior years and noted the following:

<table>
<thead>
<tr>
<th>Status of Implementation</th>
<th>No. of Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully Implemented</td>
<td>13</td>
</tr>
<tr>
<td>Partially Implemented</td>
<td>9</td>
</tr>
<tr>
<td>Ongoing</td>
<td>1</td>
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</tbody>
</table>
163. The results of the validation of the implementation of prior year’s recommendations are presented in Annex “N”.

E. Acknowledgment

164. We wish to express our appreciation to the Management and staff of the TESDA, Regional Office for the cooperation and assistance extended to our audit team during the audit.

165. We would appreciate receiving your reply, both hard and electronic copies within sixty (60) days from receipt of this letter, pursuant to Section 93 of the General Provisions of the General Appropriations Act for FY 2015 (RA 10651) with the attached Agency Action Plan and Status of Implementation (AAPSI).

Very truly yours,

VIRGILIO C. QUINTO
State Auditor V
Regional Supervising Auditor