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Office of the President

20 August 2009

MEMORANDUM NO. 173
Series of 2009

T O: Dr. Marichu M. Padayao
Dean, VSU Alang-alang Campus

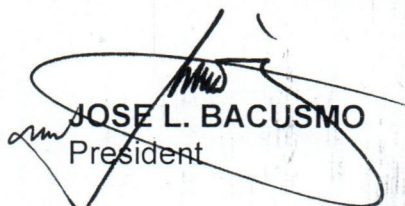
R E: COA Audit Observation Memorandum No. 09-05(09)

Attached is a copy of COA Audit Observation Memorandum No. 09-05(09) dated August 7, 2009 with its findings to the effect that there were delayed submission of inventory reports and Report of Supplies and Materials (RSMI) of the Alang-alang Campus.

Please facilitate implementation of the following COA recommendations to wit:

1. For the Supply Officer to prepare and submit monthly RSMI and other inventory issuances to support recording of transactions in the books of accounts.
2. An inventory committee be created to conduct physical count of inventories semi-annually. A report showing results of the inventory taking should be prepared and submitted to the Accounting Office to support the inventory account in the books.

Please be guided accordingly.

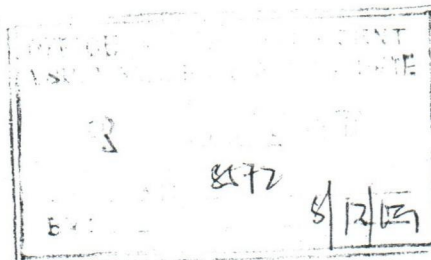

JOSE L. BACUSMO
President

cc: Ms. Teodora C. Vinegas

Dr. C. O. Cam
Pls. facilitate
implementation of
the recommendation.
Thanks.



Republic of the Philippines
COMMISSION ON AUDIT
National Government Sector - Education
Visayas State University
ViSCA, Baybay, Leyte



AUDIT OBSERVATION MEMORANDUM

AOM NO. : 09-05 (09)

DATE : August 7, 2009

FOR : **DR. JOSE L. BACUSMO**
President

ATTN. : **DR. MARICHU M. PADAYAO**
Dean, VSU Alang-alang Campus

ELDA V. DE LOS REYES
Accountant II

LEONILO S. MELCHOR
Supply Officer - Designate

FROM : **ATTY. PERLITA C. LIM**
State Auditor V
Regional Cluster Director

Teodora C. Vinegas
TEODORA C. VINEGAS
State Auditor IV
Audit Team Leader

Salvacion A. Juñez
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State Auditor II
Audit Team Member

Ma. Elvira V. Israel
MA. ELVIRA V. ISRAEL
State Auditor I
Audit Team Member

SUBJECT : **Inventories (Act. 155, 165, 168 and 169)**

We shall be grateful for your comments on the following audit observations. Please return the duplicate copy, duly signed with your comments, within 5 days from receipt hereof.

AUDIT OBSERVATIONS	MANAGEMENT'S COMMENTS
<p><u>There were delayed submission of inventory reports and recording of the Report of Supplies and Materials Issued (RSMI) of VSU Alang-alang Campus thereby casting doubt on the validity, reliability and accuracy of the inventories account in the financial statements valued at ₱599,874.09, pursuant to Sections 46 and 73, Volume I of NGAS Manual Section III C.5 of Manual on Property Custodianship and Section 490 Volume I of GAAM.</u></p> <p>1. Section 46, Volume I of NGAS Manual discusses the procedures in the requisition and issuance of Inventory items, which states in part, that the preparation of Report of Supplies and Materials Issued (RSMI) is based on the original copies of Requisition Issue Slip (RIS) and the said report will be the basis of the Accounting Unit in posting to each individual Supplies Ledger Card (SLC). At the end of each month a JEV is</p>	

prepared to record the issuance of supplies.

2. Further, Section 73 of the same Manual states that the responsibility for the fair presentation and reliability of financial statements rests with the management of the reporting agency. It requires that all financial data presented shall be accurate, reliable and truthful. Financial reports shall be based on official records maintained under an adequate accounting system that produces information objectively and discloses the financial aspects of all events or transactions taking place.

3. Likewise, Section III C.5 of the Manual on Property Custodianship, regarding the preparation of monthly report of supplies and materials issued, states that "at the end of each month, the Property/Supply Officer or his representative prepares the Monthly Report of Supplies and Materials Issued (MRSMI) which serves as a monthly abstract of supplies and materials issued as evidenced by the Requisition and Issue Vouchers. . xxx" The accounting of issuance is not complete without the proper reconciliation of property and accounting records. However, before the property records can be reconciled with the accounting records, the Property/Supply Office shall see to it that the existing property records reconciled with the actual inventory count.

4. Also, Sec. 490 Vol. 1 of GAAM states in part, when the exigencies of the service permit, the talking of inventory shall be in the charge of a committee of two or more employees designated by the chief of agency, including the property officer or custodian, xxx.

5. Our audit revealed that the inventories accounts of VSU Alang-alang Campus as of May 2009 includes the following:

Office Supplies (Acct. 155)	₱ 114,543.59
Other Supplies (Acct. 165)	141,025.00
Construction Mat. (Acct. 168)	270,917.00
Livestock and Crops (Act. 169)	<u>43,388.50</u>
Total	<u>₱ 599,874.09</u>

6. In the analysis of 2009 transactions for inventories, our initial findings include:

a.) Issuances from July 2008 to December 2008 were recorded only on February 2009 due to delayed submission of the Report of Supplies and Materials Issued.

- b.) Report on Physical Count of Inventories for Office Supplies showed that all items were already consumed by the end user as of year end but were included in the Inventory Report thus overstating the expense account for the current year in the amount of P89,320.89.
- c.) The Inventory taking was conducted by the Supply Officer and not by an Inventory Team as prescribed in Section 490, GAAM Vol. I and V.B.2 on Manual on Property Custodianship.
- d.) Non submission of Physical Inventory Reports to concerned offices as of December 31, 2008 for Inventories under Other Supplies, Construction Materials and Livestock and Crops.

7. The Supply Officer claimed that the volume of transactions hinder him to prepare updated monthly Report of Supplies and Materials (RSMI), being the lone employee at this section.

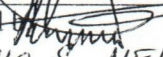
8. An interview with the Accountant revealed that transactions could only be recorded if properly documented such as the inventory report and issuances from the property section.

9. The irregular and delayed preparation of the Report of Supplies and Materials Issued (RSMI) and the non submission of Physical Inventory Reports could result to undetected errors, unreconciled records between supply and accounting offices, thus casting doubts as to the accuracy, validity and reliability of the Inventory accounts in the financial statements.

Recommendation/s:

10. **We recommend that management direct the Supply Officer to prepare and submit monthly Report of Supplies and Materials Issued (RSMI) and other inventory issuances to support the recording of transactions in the books of accounts.**

11. **An inventory committee should be created to conduct physical count of inventories semi-annually as prescribed in Section V A.2 of Manual on Property Custodianship. A report showing the results of the inventory taking should be made and submitted to the Accounting Office to support the Inventories account in the financial statements.**

Received by 
LEONILO S. MELCHOR
 (Signature Over Printed Name)
 Position and Designation

Date:

8/7/09