



Visayas State University

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Office of the President

21 March 2012

MEMORANDUM No. 129
Series of 2012


TO: Ms. Erlinda S. Esguerra
OIC-Accounting Unit

RE: COA Audit Observation Memorandum No. VSU 101-12-008 (11)

In compliance to the recommendation of the Audit Observation Memorandum No. VSU 101-12-008 (11) from Commission on Audit-Leyte Audit Group E dated February 29, 2012, your office is directed to make necessary adjustments in the entries of the Audited Financial Statements of Markets, Slaughterhouses, Hospitals and Health Centers accounts to make it in order. Herewith is a copy of the AOM for your reference.

Submit a reply to COA confirming your compliance to the AOM and furnish the Office of the President a copy.

For your guidance and action.


JOSE L. BACUSMO
President *OC 3/21/12*

cc:

COA-VSU
OVPAF
ODF



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6P# 2/46
3/19/12

Republic of the Philippines
COMMISSION ON AUDIT
Office of the Auditor
VISAYAS STATE UNIVERSITY
Baybay, Leyte

AOM No.: VSU 101-12-008(11)
Date: February 29, 2012

AUDIT OBSERVATION MEMORANDUM (AOM)

For: **DR. JOSE L. BACUSMO**
President
Visayas State University
Baybay City, Leyte

Attention: **ERLINDA S. ESGUERRA**
Accountant

We have audited the financial statements for CY 2011, and observed the following deficiency:

Failure of the Accounting Division to provide allowance for depreciation for CY 2011 for Markets and Slaughterhouses, as well as for Hospitals and Health Centers accounts contrary to pertinent provisions of the New Government Accounting System Manual for National Agencies, resulted in the understatement of expense by P71,313.88 and overvaluation of Property, Plant and Equipment by the same amount.

Sec. 4 (o) of the New Government Accounting System (NGAS) Manual for National Agencies, Vol. I provides:

"Basic Features and Policies. The NGAS has the following basic features and policies, to wit:

x x x


- o. Depreciation. The straight-line method of depreciation shall be used. Depreciation shall start on the second month after purchase of the property, plant and equipment, and a residual value equivalent to ten percent of the purchase cost shall be set-up. Public infrastructures/reforestation projects as well as serviceable assets that are no longer being used shall not be charged any depreciation."*

Sections 339 and 340 of the same NGAS Manual, Volume III, Chart of Accounts provides instructions for the use of Depreciation – Markets and Slaughterhouses and

Review of the financial statements for CY 2011 showed balances for the fixed assets accounts Market & Slaughterhouses and Hospitals & Health Centers of P 1,190,302.48 and P1,186,827.00 with Accumulated Depreciation of P 918,232.04 and 626,803.03, respectively. However, it was noted that no depreciation expenses were provided for said accounts during the year. Thus, the decrease in economic benefits during this particular accounting period in the form of depletion of these assets that resulted in decrease of equity were not accounted for. Expenses reported during the year and the balance of the Government Equity account as of end of year were understated by P 71,313.88, computed as follows:

| | | | |
|---------------------------|---|----------|--------------------|
| | $\frac{\text{Asset Cost} - \text{Less Salvage Value}}{\text{Estimated Life}} = \text{Depreciation Expense}$ | | |
| Market & Slaughterhouse | 1,071,272.23 / | 30 years | = P 35,709.07 |
| Hospitals & Health Center | 1,068,144.30 / | 30 years | = <u>35,604.81</u> |
| | Total | | 71,313.88 |

| | <u>Debit</u> | <u>Credit</u> |
|--|--------------|---------------|
| Prior Year's Adjustment | P 71,313.88 | |
| Accumulated Depreciation-Markets and Slaughterhouses | | 35,709.07 |
| Accumulated Depreciation- Hospitals and Health Centers | | 35,604.81 |


REINA TERESITA P. JUNTILLA
State Auditor II

Eva U. Fulache
EVA U. FULACHE
Supervising Auditor

Date: 3/19 - Cont'd