



Visayas State University

Visca, Baybay City, Leyte 6521-A, Philippines

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Office of the President

1 June 2015

Memorandum No. 73

Series of 2015

TO : Ms. Erlinda S. Esguerra - Head, Accounting Office & Chief Accountant
Ms. Aurora A. Carpio - Acting Accountant, Villaba Campus
Ms. Elda V. De Los Reyes - AO II/Accountant, Alangalang Campus
Ms. Melona E. Dalino - Acting Accountant, Tolosa Campus
Ms. Queen Ever Y. Atupan - Accountant I, Isabel Campus

RE : Audit Observation Memorandum (AOM) No. 2015-007

Per Audit Observation Memorandum (AOM) No. 2015-007 dated May 5, 2015 of COA Audit Team at VSU, the reliability and accuracy of the balance of Cash-in-Bank Local Currency CA and SA accounts of P287,091,496.25 and P9,309,716.20 of the university for the period January to December 2014, respectively, were found doubtful. Please see attached AOM.

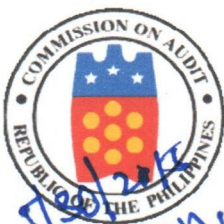
Hence, to come up with a reliable and accurate balance of Cash-in-Bank in the financial statements, your offices are directed to execute the following:

1. Prepare and submit the required Bank Reconciliation Statements pursuant to Section 74 and 122 of PD 1445;
2. Effect immediately the corresponding adjustments pertaining to valid reconciling items;
3. Prepare the necessary adjusting entries to correct the erroneous recording of fund transfer to external campuses; and,
4. Determine the causes of the understatement of the savings account in the PPSB and effect the necessary adjustments.

For your guidance and immediate action.


JOSE L. BACUSMO
President

cc: VSU-COA Team
Ms. Louella C. Ampac, OIC-Director of Finance
College Dean of VSU External campuses



Republic of the Philippines
COMMISSION ON AUDIT
NGS, State Universities and Colleges &
NGS Other Stand Alone Agencies
Regional Office No. VIII
Candahug, Palo, Leyte

AOM No. 2015-007
5 May 2014

AUDIT OBSERVATION MEMORANDUM (AOM)

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

Attention: **Erlinda S. Esguerra**
Accountant IV

Aurora A. Carpio
Acting Accountant, Villaba Campus

Elda V. De Los Reyes
AO II/Accountant, Alang-Alang Campus

Melona E. Dalino
Acting Accountant, Tolosa Campus

Queen Ever Y. Atupan
Accountant I, Isabel Campus

We have audited the Cash-in-Bank account of the Visayas State University for the period January to December, 2014 and observed the following:

The reliability and accuracy of the balance of Cash-in-Bank Local Currency CA and SA accounts of P287,091,496.25 and P9,309,716.20 respectively are doubtful in view of: (1) delayed preparation and submission of Bank Reconciliation Statements resulting in unadjusted reconciling items; (2) the unadjusted errors reflected in the BRS as of 31 December 2014 as reconciling items; (3) the discrepancy of the balances between records of some Campuses and the Subsidiary Ledger of the VSU Main Campus, (4) erroneous recording of fund transfers to external campuses.

PD No. 1445 provides:

Section 74. "At the close of each month, depositories shall report to the agency head in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that reconciliation is made between the balance shown in the reports and the balance found in the books of the agency." (emphasis supplied)

Section 122, "Submission of reports. Whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative or personnel officers, and other responsible officials of the various agencies to submit trial balances, physical inventory reports, current plantilla of personnel, and such other reports as may be necessary for the exercise of its functions." (emphasis supplied)

Section 12 of NGAS Manual Volume II provides: "Subsidiary Ledger (SL) 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. x x x."

Accurate and timely bank reconciliation reduce the risks that errors on the part of the agency and/or bank, will remain undetected. Without effective accounting control, general ledger account balances may be inaccurate or incomplete, funds may not be accounted for properly, and cash balances may not be reliable. Monthly bank reconciliation is an important internal control for detecting fraudulent payments.

Verification of the records pertaining to the Cash-in-Bank accounts of the Main and External Campuses of VSU as of 31 December 2014 disclosed that:

1. For the 24 bank current accounts being maintained with DBP and LBP with a total book balance of P287,091,496.25, only six (6) Bank Reconciliation Statements (BRS) for the month of December 2014 were prepared and submitted. BRS for the 18 banks accounts remained unsubmitted contrary to Sections 74 and 122 of PD 1445.

The status of submission of BRS is presented as follows:

Table I – Current Account Balances

Fund	Bank Account No.	Balance	Latest BRS Submitted
Main Campus –			
101- Cebu	LBP CA No.3172-1008-20	P 2,416,880.58	June 2014
101 - Cebu Trust	LBP CA No.3172-1010-10	721,174.83	June 2014
101 - Trust	LBP CA No. 3572-1000-48	115,896,766.11	June 2014
101 - KR2-Jackfruit	LBP CA No. 3572-1000-72	5,400.00	June 2014
101 -AREC	LBP CA No. 3572-1020-75	1,510,333.20	June 2014
164 - Cebu	LBP CA No. 3172-1006-69	1,612,676.83	May 2014
164 - Baybay	LBP CA No. 3572-1000-13	85,292,886.70	April 2014
161 - Baybay	LBP CA No. 3572-1000-21	7,274,186.25	June 2014
External Campuses –			
1. Alang-Alang Campus			
101 – PS & MOOE	LBP CA No. 1732-1012-30	6,093,226.67	September 2014
101 - Trust	LBP CA No. 1732-1065-92	1,250,981.61	September 2014
Fund 164	LBP CA No. 1732-1014-50	10,879,113.32	September 2014
2. Isabel Campus -			
Fund 184	LBP CA No. 0952-1164-87	3,400,282.21	December 2014
Fund 101	LBP CA No. 0952-1114-26	24,502,795.21	December 2014
Fund 164	DBP CA No. 0765-012388-030	5,454,471.62	October 2014
Fund 161	DBP CA # 0765-012387-030	326,150.02	October 2014
3. Villaba Campus			
Fund 284	DBP CA # 0-05392-765-0	377,389.24	August 2014
Fund 101	LBP CA # 0952-1113-45	4,078,516.38	December 2014
Fund 164	DBP CA # 0765-012389-030	1,212,396.57	August 2014
Fund 161	DBP CA # 450-8401189	148,754.08	August 2014
4. Tolosa Campus			
Fund 101	LBP CA No. 0182-1071-07	11,570,344.42	December 2014
Fund 164- SO	LBP CA No. 0182-1114-22	233,905.64	April 2014

Fund 164-SBO	LBP CA No. 0182-1114-06	123,555.42	April 2014
Trust Account	LBP CA # 0182-1123-72	1,942,302.55	December 2014
Fund 161	LBP CA No. 0182-1111-20	767,006.79	December 2014
Total Cash-in-Bank LCCA		P 287,091,496.25	

Table 2 – Savings Account Balance

Fund	Bank Account No.	Balance	Latest BRS Submitted
Fund 164-Tolosa	PPSB # 0009-002040-231	P 9,309,716.20	Submitted bank statement with paid checks as of 12/31/14 but no BRS.

2. For the accounts with reconciliation, errors found and reflected in the BRS as reconciling items per books are not yet adjusted.

3. Balances between book and bank records have variances on the following bank accounts. Management failed to conduct reconciliation of the balances as of 31 December 2014 of both records hence, errors or reconciling items could not be determined.

Table 3 – Account balances variances

Bank Account No.	Balance as of 12/31/13		Variance	Remarks
	Per Books	Per Bank Confirmation/ Statements		
Main Campus				
LBP CA No.3172-1008-20	P 2,416,880.58	P 2,419,550.58	P 2,670.00	No BRS as of 12/31/14 but with Bank Confirmation/ Statements
LBP CA No.3172-1010-10	721,174.83	1,018,143.97	296,969.14	No BRS as of 12/31/14 but with Bank Confirmation/ Statements
LBP CA No. 3572-1000-48	115,896,766.11	118,953,729.98	3,056,963.87	No BRS as of 12/31/14 but with Bank Confirmation/ Statements
LBP CA No. 3572-1000-72	5,400.00	0.00	5,400.00	No BRS as of 12/31/14 but with Bank Confirmation/ Statements
LBP CA No. 3572-1020-75	1,510,333.20	1,494,067.72	16,265.48	No BRS as of 12/31/14 but with Bank Confirmation/ Statements
LBP CA No. 3172-1006-69	1,612,676.83	2,117,497.64	504,820.81	No BRS as of 12/31/14 but with Bank Confirmation/ Statements
LBP CA No. 3572-1000-13	85,292,886.70	90,094,017.29	4,801,130.59	No BRS as of 12/31/14 but with Bank Confirmation/ Statements

LBP CA No. 3572-1000-21	7,274,186.25	8,113,057.16	838,870.91	No BRS as of 12/31/14 but with Bank Confirmation/ Statements
External Campuses				
1. Alang-Alang Campus				
LBP CA No. 1732-1012-30	P 6,093,226.67	P 9,041,501.82	P2,948,275.75	No BRS as of 12/31/14 but with Bank Confirmation
LBP CA No. 1732-1065-92	1,250,981.61	1,357,388.33	106,406.72	No BRS as of 12/31/14 but with Bank Confirmation
LBP CA No. 1732-1014-50	10,879,113.32	11,225,240.25	346,126.93	No BRS as of 12/31/14 but with Bank Confirmation
2. Isabel Campus				
DBP CA # 0765-012388-030	5,454,471.62	1,824,603.92	3,629,867.77	No BRS as of 12/31/14 but with Bank Confirmation
DBP CA # 0765-012387-030	326,150.02	326,316.72	166.70	No BRS as of 12/31/14 but with Bank Confirmation
3. Villaba Campus				
DBP CA # 0765-012389-031	377,389.24	501,611.61	124,222.37	No BRS as of 12/31/14 but with Bank Confirmation
DBP CA # 0765-012389-030	1,212,396.57	1,744,135.89	531,739.32	No BRS as of 12/31/14 but with Bank Confirmation
DBP CA # 450-8401189-032	148,754.08	195,659.68	46,905.60	No BRS as of 12/31/14 but with Bank Confirmation
4. Tolosa Campus				
LBP CA No. 0182-1114-22	233,905.64	258,382.94	24,477.30	No BRS as of 12/31/14 but with Bank Confirmation
LBP CA No. 0182-1114-06	123,555.42	176,760.80	53,205.38	No BRS as of 12/31/14 but with Bank Confirmation
PPSB SA # 0009-002040-231	9,309,716.20	13,174,051.33	3,864,335.13	No BRS as of 12/31/14 but with Bank Confirmation
TOTAL	P250,139,964.89	P264,035,717.63	P21,198,819.77	

5. It was also noted that unadjusted book balances reflected in the Bank Reconciliation Statements (BRS) as of December 31, 2014 for two(2) accounts of Isabel Campus, three(3) accounts of Tolosa Campus and one (1) account of Villaba Campus do not reconcile with the SL records of VSU Main Campus, details are shown below.

Table 5- Variances between VSU SL and External Campus records

Fund	Account No.	Balance per VSU SL	Balance per BRS – External Campus Books	Difference
VSU Isabel Campus -				
Fund 184	LBP 0952-1164-87	P2,010,631.58	P 1,984,795.08	P 25,836.50
Fund 101	LBP 0952-1114-26	24,502,795.21	23,901,346.22	601,448.99
VSU Tolosa Campus				
Fund 101	LBP 0182-1071-07	11,570,344.42	12,405,794.49	835,450.07
IGP	LBP 0182-1111-20	767,006.79	349,781.52	417,225.27
Trust Fund	LBP 0182-1123-72	1,942,302.55	2,331,184.59	388,882.04
VSU Villaba Campus -				
Fund 101	LBP 0952-113-45	4,078,516.38	3,655,256.70	423,259.68
TOTAL		P44,871,596.93	P44,628,158.86	P2,692,102.55

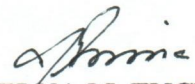
The discrepancies in balances between the records of the VSU main campus and the external campuses could be attributed to the erroneous recording of fund transfers. Fund transfer to external campuses is not immediately recorded as a debit to the Cash-in-Bank account by the main campus. The Cash-in-Bank account of external campuses is debited every end of the quarter based on the cash-in-bank balance per external campus records.

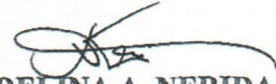
6. Balance per books of Savings Account PPSB 009-002040-231 (Tolosa Campus) maintained with the Philippine Postal Savings Bank is understated by P3,864,335.13. The balance per books is P9,309,716.20, while per confirmation with the bank, the account has a balance of P13,174,051.33 as of December 31, 2014.

The above-noted deficiencies affected the reliability and accuracy of the balance of Cash-in-Bank in the financial statements.

We recommend that management direct the Accountants of the Main and External Campuses to: (i) Prepare and submit the required Bank Reconciliation Statements pursuant to Section 74 and 122 of PD 1445; (ii) Effect immediately the corresponding adjustments pertaining to valid reconciling items; (iii) Prepare the necessary adjusting entries to correct the erroneous recording of fund transfer to external campuses; and, (iv) Determine the causes of the understatement of the savings account with PPSB and effect the necessary adjustments.

May we have your comments on the foregoing audit observations within five (5) calendar days from receipt hereof.


ELNA M. ENCINA
State Auditor IV
Audit Team Leader, Team 4


ADELINA A. NERIDA
OIC-Supervising Auditor

Proof of Receipt of AOM:

Name: _____

Date: _____

Name: _____

Date: _____



Republic of the Philippines
COMMISSION ON AUDIT
NGS, State Universities and Colleges &
NGS Other Stand Alone Agencies
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AOM No. 2015-007
5 May 2014

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University President
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Visca, Baybay City

Attention: **Erlinda S. Esguerra**
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Fund 161	DBP CA # 0765-012387-030	326,150.02	October 2014
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Fund 101	LBP CA No. 0182-1071-07	11,570,344.42	December 2014
Fund 164- SO	LBP CA No. 0182-1114-22	233,905.64	April 2014

Fund 164-SBO	LBP CA No. 0182-1114-06	123,555.42	April 2014
Trust Account	LBP CA # 0182-1123-72	1,942,302.55	December 2014
Fund 161	LBP CA No. 0182-1111-20	767,006.79	December 2014
Total Cash-in-Bank LCCA		P 287,091,496.25	

Table 2 – Savings Account Balance

Fund	Bank Account No.	Balance	Latest BRS Submitted
Fund 164-Tolosa	PPSB # 0009-002040-231	P 9,309,716.20	Submitted bank statement with paid checks as of 12/31/14 but no BRS.

2. For the accounts with reconciliation, errors found and reflected in the BRS as reconciling items per books are not yet adjusted.

3. Balances between book and bank records have variances on the following bank accounts. Management failed to conduct reconciliation of the balances as of 31 December 2014 of both records hence, errors or reconciling items could not be determined.

Table 3 – Account balances variances

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LBP CA No.3172-1010-10	721,174.83	1,018,143.97	296,969.14	No BRS as of 12/31/14 but with Bank Confirmation/ Statements
LBP CA No. 3572-1000-48	115,896,766.11	118,953,729.98	3,056,963.87	No BRS as of 12/31/14 but with Bank Confirmation/ Statements
LBP CA No. 3572-1000-72	5,400.00	0.00	5,400.00	No BRS as of 12/31/14 but with Bank Confirmation/ Statements
LBP CA No. 3572-1020-75	1,510,333.20	1,494,067.72	16,265.48	No BRS as of 12/31/14 but with Bank Confirmation/ Statements
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LBP CA No. 3572-1000-13	85,292,886.70	90,094,017.29	4,801,130.59	No BRS as of 12/31/14 but with Bank Confirmation/ Statements

LBP CA No. 3572-1000-21	7,274,186.25	8,113,057.16	838,870.91	No BRS as of 12/31/14 but with Bank Confirmation/ Statements
External Campuses				
1. Alang-Alang Campus				
LBP CA No. 1732-1012-30	P 6,093,226.67	P 9,041,501.82	P2,948,275.75	No BRS as of 12/31/14 but with Bank Confirmation
LBP CA No. 1732-1065-92	1,250,981.61	1,357,388.33	106,406.72	No BRS as of 12/31/14 but with Bank Confirmation
LBP CA No. 1732-1014-50	10,879,113.32	11,225,240.25	346,126.93	No BRS as of 12/31/14 but with Bank Confirmation
2. Isabel Campus				
DBP CA # 0765-012388-030	5,454,471.62	1,824,603.92	3,629,867.77	No BRS as of 12/31/14 but with Bank Confirmation
DBP CA # 0765-012387-030	326,150.02	326,316.72	166.70	No BRS as of 12/31/14 but with Bank Confirmation
3. Villaba Campus				
DBP CA # 0765-012389-031	377,389.24	501,611.61	124,222.37	No BRS as of 12/31/14 but with Bank Confirmation
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4. Tolosa Campus				
LBP CA No. 0182-1114-22	233,905.64	258,382.94	24,477.30	No BRS as of 12/31/14 but with Bank Confirmation
LBP CA No. 0182-1114-06	123,555.42	176,760.80	53,205.38	No BRS as of 12/31/14 but with Bank Confirmation
PPSB SA # 0009-002040-231	9,309,716.20	13,174,051.33	3,864,335.13	No BRS as of 12/31/14 but with Bank Confirmation
TOTAL	P250,139,964.89	P264,035,717.63	P21,198,819.77	

5. It was also noted that unadjusted book balances reflected in the Bank Reconciliation Statements (BRS) as of December 31, 2014 for two(2) accounts of Isabel Campus, three(3) accounts of Tolosa Campus and one (1) account of Villaba Campus do not reconcile with the SL records of VSU Main Campus, details are shown below.

Table 5- Variances between VSU SL and External Campus records

Fund	Account No.	Balance per VSU SL	Balance per BRS – External Campus Books	Difference
VSU Isabel Campus -				
Fund 184	LBP 0952-1164-87	P2,010,631.58	P 1,984,795.08	P 25,836.50
Fund 101	LBP 0952-1114-26	24,502,795.21	23,901,346.22	601,448.99
VSU Tolosa Campus				
Fund 101	LBP 0182-1071-07	11,570,344.42	12,405,794.49	835,450.07
IGP	LBP 0182-1111-20	767,006.79	349,781.52	417,225.27
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Fund 101	LBP 0952-113-45	4,078,516.38	3,655,256.70	423,259.68
TOTAL		P44,871,596.93	P44,628,158.86	P2,692,102.55


The discrepancies in balances between the records of the VSU main campus and the external campuses could be attributed to the erroneous recording of fund transfers. Fund transfer to external campuses is not immediately recorded as a debit to the Cash-in-Bank account by the main campus. The Cash-in-Bank account of external campuses is debited every end of the quarter based on the cash-in-bank balance per external campus records.

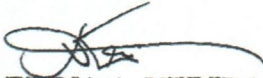
6. Balance per books of Savings Account PPSB 009-002040-231 (Tolosa Campus) maintained with the Philippine Postal Savings Bank is understated by P3,864,335.13. The balance per books is P9,309,716.20, while per confirmation with the bank, the account has a balance of P13,174,051.33 as of December 31, 2014.

The above-noted deficiencies affected the reliability and accuracy of the balance of Cash-in-Bank in the financial statements.

We recommend that management direct the Accountants of the Main and External Campuses to: (i) Prepare and submit the required Bank Reconciliation Statements pursuant to Section 74 and 122 of PD 1445; (ii) Effect immediately the corresponding adjustments pertaining to valid reconciling items; (iii) Prepare the necessary adjusting entries to correct the erroneous recording of fund transfer to external campuses; and, (iv) Determine the causes of the understatement of the savings account with PPSB and effect the necessary adjustments.

May we have your comments on the foregoing audit observations within five (5) calendar days from receipt hereof.


ELNA M. ENCINA
State Auditor IV
Audit Team Leader, Team 4


ADELINA A. NERIDA
OIC-Supervising Auditor

Proof of Receipt of AOM:

Name: _____

Date: _____

Name: _____

Date: _____