



Visayas State University

Visca, Baybay City, Leyte 6521-A

Philippines

Tel: +63 53 563 7067

Website: www.vsu.edu.ph

Office of the President

11 February 2016

Memorandum No. 61
Series of 2016

TO : Ms. Louella C. Ampac - Head, Internal Audit Services Office
Ms. Erlinda S. Esguerra - Head, Accounting Office & Chief Accountant
Ms. Corazon U. Nuevo - Head, Cash Office
Dr. Eutiquio E. Sudaria - Director, IGP
College Deans of Branch Campuses
Accountants of Branch Campuses

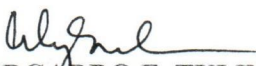
RE : **Updates on Implementation on Audit Observations and Recommendations for CY 2014 and below**

As required by COA Resident Auditor we are providing you a copy of Status of Implementation of Audit Observations and Recommendations for your updated comments as of to date. Kindly submit your response with supporting documents, if applicable both hard and soft copy (email to mabethmiraflor@vsu.edu.ph) to the Director of Finance on or before February 19, 2016 for consolidation.

Your preferential attention is highly appreciated.

Thank you.

Very truly yours,


EDGARDO E. TULIN
President

VISAYAS STATE UNIVERSITY
Baybay City, Leyte

**AGENCY ACTION PLAN and
STATUS OF IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 2014, 2008-2013
As of _____

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Impleme ntation	Reason for Partial/Delay/ Non- implementati on, if applicable	Action Taken/Action to be Taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			
CY 2014 AAR Findin g No. 1	The reliability and accuracy of the balance of Cash-in-Bank Local Currency CA and SA accounts of P287,091,496.25and 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.	We recommend that management direct the Accountants of the Main and External Campuses to: (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 with PPSB and effect the necessary adjustments.		Main & Branch Campus Accountants (E Esguerra, QEAtupan, F. Yopez, Edelos reyes, A Carpio)					

CY 2014 AAR Finding No. 2	The accounting entries used to record the cash transfers for operational requirements P130,571,375.14 to Satellite/External Campuses for operational requirements from January to December 31 2014 totaling P130,571,375.14 and the corresponding liquidations were not in accordance with accounting entries prescribed in COA Circular No. 2013-002 and COA Circular No. 2014-003 and contrary to Section 27 and 29(b), Vol. 1 of the Manual on Philippine Public Sector Accounting Standards, thereby resulting in the misstatement of the affected accounts.	We recommend that management direct the Accountant of VSU Main Campus to use the prescribed accounting entries to record the fund/cash transfers to satellite campuses provided in COA Circular No. 2013-002 dated 30 January 2013 and COA Circular No. 2014-03 dated 15 April 2014 and to make the necessary corrections/adjustments on the affected accounts.		E Esguerra					
CY 2014 AAR Finding No. 3	Campus personnel of Alang-alang, Tolosa and Villaba who were granted with hazard pay totaling to P1,070,000.00 were not among those authorized under Section 21 of R.A. 7305 and Budget Circular No. 2005-4 dated 13 July 2005, thus resulting to illegal disbursements of public funds.	We recommend that management discontinue the payment of hazard pay to its personnel and require the full refund of the amount granted.		MPadayao, LCBCano and GRomero					

CY 2014 AAR Finding No. 4	Collections from tuition and other schools fees under STF were not deposited promptly by the Cashier of Alang-alang Campus in violation of Section 69 of PD 1445 and Section 21, Volume I of NGAS Manual, thus exposing government funds to risks of possible loss and/or misuse.	We recommend management to direct the Cashier of Alang-alang External Campus 1.) to deposit all collections daily or not later than the next banking day with AGDB pursuant to Section 69 of PD 1445 and Section 21 of NGAS Manual Volume I and adopt a policy setting a cut-off-time for collections on Fridays and days before long holidays to avoid accumulation of collections in the hands of the Cashier during-non-working days to minimize exposure of the funds to risks; 2.) Submit monthly the Report of Accountability for Accountable Forms Without Money Value; 3.) Use the prescribed Report of Collections and Deposit format per NGAS Manual, and 4.) Regularly update cashbooks/Cash Receipt Records.		MPadayao					
CY 2014 AAR Finding No. 5	Disbursements amounting to P334,953.79 for the implementation of the Organic Agriculture Demo and Training Farm Project funded by the Department of Agriculture were not supported with complete documentation contrary to Section 4(6) of PD No.	We recommend that the basic requirements applicable to all classes of disbursements are complied with before making any payment of claims as required in the above mentioned regulations to avoid suspensions and/or disallowances. Adequate controls should be instituted		MPadayao					

	1445 and Section 28(5) of the NGAS Manual, Volume 1., thus, validity of the expenses cannot be verified.	in the disbursement of government funds. Concerned officials responsible in its implementation must ensure compliance with internal control policies, applicable laws and regulations to achieve the University's objectives, safeguard its resources and promote efficiency and economy in the use thereof.							
CY 2014 AAR Finding No. 6	Copies of Purchase Orders and its supporting documents totaling P11,285,481.77 relative to the procurement of supplies and materials for infrastructure projects and office use were not submitted to the Commission on Audit (COA) by the Administrative Officers of the four external campuses of VSU contrary to Paragraph 3.2.1, Section 3 of COA Circular No. 2009-001 dated February 12, 2009, thus precluding the conduct of a timely review/evaluation of the agreement as to price reasonableness and compliance with the procurement procedures embodied under RA 9184.	We recommend that management submit to the Audit Team, copies of the college's approved POs/Contracts within five (5) working days from perfection/issuance thereof pursuant to COA Circular No. 2009-001 dated February 12, 2009.		Branch Campus Adm. Officers SChua, MRojas, ESabulao and ACarpio					

<p>CY 2013 AAR Findin g No. 1</p>	<p>Of the total balance of Cash-in-Bank Local Currency CA and SA accounts, reliability of P21,335,349.50 cannot be ascertained in view of: (i) the noted variances between books and bank records due to management's failure to conduct reconciliation and to prepare the BRS for the eleven (11) bank accounts; (ii) the unadjusted errors reflected in the BRS as reconciling items; (iii) the discrepancy of the balance between records of some Campuses and the Subsidiary Ledger of the VSU Main Campus, thus affecting the fairness of presentation of the account in the financial statements.</p>	<p>We recommend that management direct the Accountants of the Main and External Campuses to:</p> <p>(i) conduct reconciliation between book and bank records and prepare immediately the required Bank Reconciliation Statements pursuant to Section 74 and 122 of PD 1445;</p> <p>(ii) effect immediately the corresponding adjustments pertaining to valid reconciling items;</p> <p>(iii) conduct immediate reconciliation of balances between Main Campus records and External Campuses records, and (iv) look into the cause of the understatement of the understatement of the savings account with PPSB and record the difference in the books.</p>		<p>Main & Branch Campus Accountants (E Esguerra, QEAtupan, F. Yepez, Edelos reyes, A Carpio)</p>									
<p>CY 2013 AAR Findin g No. 2</p>	<p>Of the total balance of Other Receivables, 76% or P15,453,548.87 is considered past due with age of more than 90 days to over ten years, an indication that the University has not exerted efforts to collect the same and which may result in possible losses</p>	<p>We recommend that management immediately</p> <p>i) exert earnest effort to collect these receivables, ii) reclassify loans granted to its appropriate account, ii) separate the interest and take it up as Interest Receivables, and iii) require the Accountant to maintain subsidiary ledgers, complete</p>		<p>EEsguerra</p>									

	inconsistent with Section 2, PD 1445. Moreover, the balance of the account is doubtful in view of: i) the misclassification of loans granted to students and the inclusion of the interest thereon contrary to the Chart of Accounts, ii) unreliable schedule supporting the balance which is not based on the subsidiary ledgers in violation of the NGAS Manual, and iii) absence of other details contrary to Section 111 of PD 1445.	with details as prescribed in Appendix 7, NGAS Manual, Volume II.						
CY 2013 AAR Finding No. 3	Salary differentials per NBC 461, 4 th Cycle, totaling P5,640,434.07 paid to faculty members were charged against the Special Trust Fund contrary to Section 2.1.4 of COA Circular No. 2000-002 and Article III of CHED Memorandum Order No. 20, series of 2011, thus, such disbursements constitute an irregular expenditure as defined in COA Circular No. 85-55A.	We recommend that management should strictly follow the policies and guidelines in the use of income under Special Trust Fund pursuant to CHED Memorandum Circular No. 20 and COA Circular No. 2000-002. This recommendation is without prejudice to the issuance of Notice of Disallowance for the payments made.		AGGodoy				
CY 2013 AAR Finding	Disbursements amounting to P2,153,142.04 for the implementation of various projects of the University	We recommend that management stop its practice of paying expenditures without		EEsguerra				

g No. 5	were not supported with complete documentation contrary to Section 4(6) of PD No. 1445 and Section 28(5) of the NGAS Manual, Volume I, thus, validity of the payments cannot ascertained.	complete and adequate supporting documents pursuant to Section 4(6) of PD No. 1445. In addition, management should see to it that adequate controls are in place to ensure that payments/disbursements are only made with valid and complete documents to safeguard the interest of the government.							
CY 2013 AAR Findin g No. 6	Reliability of the balance of account Due to NGAs (416) of P57,358,451.69 could not be ascertained due to inadequate maintenance of subsidiary ledgers and absence of schedules contrary to Section 111, PD 1445 and the pertinent provisions Section 12, NGAs Manual, Volume II.	We recommend that management immediately require the Accountant to i) update the subsidiary ledgers for each account or agency and ii) prepare and submit the schedule to support the balance of the account pursuant to Section 111 of PD 1445 and Section 12, NGAS Manual, Volume II.		EEsguerra, VYamon					
CY 2013 AAR Findin g No. 9	Reliability of the balance of Accounts Receivable of P41,283,081.44 could not be ascertained due to inadequate maintenance of subsidiary ledgers thus, the balance of account could not be supported with complete and detailed schedule contrary to Section 111 of PD 1445 and the pertinent provisions in the NGAS	We recommend that management immediately require the Accountant to maintain subsidiary records for all accounts and to reconcile these records with the GL balance and detailed schedule at least every end of the quarter. In addition, management should consider the provision in Section 127 of PD 1445 for any unjustified failure by		EEsguerra Bookkeeping Section					

	Manual.	the official concerned to comply with any requirement imposed by said law.							
CY 2012 AAR Findin g No. 1	Of the total balance of Cash-in-Bank Local Currency CA and SA accounts, reliability of P22,306,695.96 cannot be ascertained in view of: (i) the noted variances between books and bank records due to management's failure to conduct reconciliation and to prepare the BRS for the ten (10) bank accounts; (ii) the unadjusted errors reflected in the BRS as reconciling items; (iii) understatement of the Cash-in-Bank Local Currency Savings account; and (iv) the discrepancy of the balance between records of some Campuses and the Subsidiary Ledger of the VSU Main Campus. Moreover, three accounts are existing per bank records with an aggregate balance of P2,801,062.83, but with no balance or records per books, thus affecting the fairness of presentation of the account in the financial statements.	<ul style="list-style-type: none"> ▪ Direct the Accountants of the Main and External Campuses to: <ul style="list-style-type: none"> ▪ (i) conduct reconciliation between book and bank records and prepare immediately 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) conduct immediate reconciliation of balances between Main Campus records and External Campuses records, (iii) look into the cause of the understatement of the savings account with PPSB and record the difference in the books; and ▪ (iv) take immediate and appropriate action on the bank accounts with existing balances with LBP for which no record or balance is found in the books. 		Same as finding no. 1 in 2014					

CY 2012 AAR Findin g No. 4	About P17,388,764.70 or 37% of the total balance of Accounts Receivable from students on Tuition fees and from other debtors of various IGP and STF Projects is considered past due, with age of more than 90 days to over 10 years, indicative that the University has not exerted efforts to collect the same thus, the huge balance as of December 31, 2012, which may result in possible losses due to bad debts.	(i) strictly enforce written policies on IGPs billing, collecting, and monitoring of receivables including the imposition of penalty on delinquent debtors, (ii) include or indicate in the current AY assessment, any unpaid balances of student to easily monitor and collect unpaid balances of each student and (iii) issue demand letters on a regular basis to students and other debtors with unpaid obligations.	CNuevo IGP Director, Project managers, IASO								
CY 2012 AAR Findin g No. 7	a.) The balance of Gasoline, Oil & Lubricants Inventory account of P10,228.73 is unreliable due to: (i) erroneous recording of purchases (Trust Fund transactions) totaling P6,496,123.19 as debit to Other Payables account, instead of the appropriate inventory account; (ii) non-recording of issuances made in the total amount of P5,734,241.70; (iii)	a.) Strictly require the Accountant to; (i) record in the books purchases as inventory; (ii) record all issuances of gasoline, oil and lubricants on the basis of Report of Supplies and Materials Issued (iii) maintain Supply Ledger Cards for each item of fuel and lubricants pursuant to Section 43 of the NGAS Manual, Vol. I; and	EEsguerra								

	<p>non-maintenance of subsidiary records by the Accounting Division and Stock Cards by the Property and Supply Unit; and (iv) non-submission of inventory report contrary to the pertinent provisions of the NGAS Manual. Moreover, accountability over property custodianship cannot be established, thus exposing government properties to risk of loss or misuse.</p>	<p>(iv) the account should be reconstructed to establish the correct balance of each inventory item. Moreover, it should require the Property/Supply Officer to maintain Stock Card for each item of fuel and lubricants and submit to COA the prescribed inventory report pursuant to Section 65 of the same Manual, Vol. II.</p>						
	<p>b.) Diesel and gasoline purchased for the operating requirements of the University, including those of the various projects being implemented by it are issued and sold to employees and students of the University contrary to Sections 2 and 4 of PD 1445.</p>	<p>b.) Stop the issuance and sale of diesel and gasoline to employees and students of the University pursuant to Section 2 and 4(2) of PD 1445.</p>		AMFlores				
<p>CY 2011 AAR</p>	<p>Management's failure to install, implement, and monitor a sound internal</p>	<p>Adopt necessary methods and measures to ensure that IGP's operations are</p>		LC Ampac , IGP Director				

Findin g No. 9	control system in the various operations of Income Generating Projects and other Business Operations (under STF) contrary to the provisions of Section 123 and 124 of PD 1445, rendered the reported income and other financial information from IGPs and other business operations unreliable.	consistent with laws, regulations and policies so that the university's resources are safeguarded against loss, wastage and misuse; income reported are reliable, accurate and timely; operations are economical, efficient and effective.							
CY 2011 AAR Findin g No. 15	Strategic Plan Incentives totaling P 3,404,500.00 were paid to regular and contractual employees, faculty, science research assistants and other personnel using the Accumulated Savings under the Special Trust Fund, contrary to National Compensation Circular No. 59, DBM Budget Circular No. 2001-03, Section 16 (e) of RA 10147 of the General Appropriation Act of 2011 and Section 4 (d) of RA 8292, resulting in irregular transactions.	Strictly adhere to National Compensation Circular No. 59, DBM Budget Circular No. 2001-03, Section 16 (e) of RA 10147 of the General Appropriation Act of 2011 and Section 4 (d) of RA 8292. With respect to the NS issued, management should submit appropriate legal basis or valid justification for paying the Strategic Plan Incentive to employees.		LCampac,					
CY 2010 AAR Findin	Management failed to record in the books the disallowances amounting to P160,000.00 that had	Draw a journal entry voucher to take up the disallowance on honorarium amounting to		EEsguerra					

g No. 9	become final and executory, and to withhold the payment of salaries or any amount due the persons liable, despite the receipt of Notice of Finality of COA Decision and the Final Order of Adjudication, both dated February 18, 2009, thus understating the Other Receivable account and the Prior Year's Adjustment by the same amount and depriving the University of its monetary value had these been collected thru payroll deductions.	P160,000.00 and require the persons liable to pay the disallowed claims on honorarium and/or withhold the payment of the salaries or any amount due the persons liable until such time that the disallowance shall be fully settled							
CY 2008 AAR Findin g No. 6	The University incurred P12,771,261.62 of electric bill consumption as of December 31, 2008 due to lack of more prudent management of resources, lack of monitoring on the efficient utilization of energy, and compliance with established University policies contrary to the provisions of Section 2 and 4 of PD 1445, and VSU housing guide	Revisit the existing policy (BOT Resolution No. 22, s. 1983) on the free usage of 100 kilowatt hours for occupants of the college/staff houses or apartments and determine whether the said privilege/benefit still warrant to be continued or should be stopped in accordance with Sections 2 and 4 of PD 1445. Stop the private business operations using government resources and refund the amount paid by		OP, VP Adm. & Fin. ,LCampac					

		the VSU for electric consumption. Enforce compliance with the established housing rules and policies and impose sanctions mentioned in BOR Resolution No. 25, in case of defiance to established guidelines.								
--	--	--	--	--	--	--	--	--	--	--

Agency Sign-off:

Name and Position of Agency Officer

Date

Note: Status of Implementation may either be (a) Fully Implemented, (b) Ongoing, (C) Not Implemented, (d) Partially Implemented, or (e) Delayed