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Office of the President

06 May 2015

Memorandum No. 61

Series of 2015

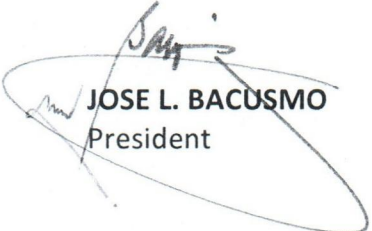
TO : **Ms. Erlinda S. Esguerra**
Head, Accounting Office & Chief Accountant

RE : **Use of prescribed accounting entries to record fund/cash transfers to VSU
Satellite Campuses**

Per Audit Observation Memorandum No. 2015-001 dated April 17, 2015 of COA Audit Team at VSU, your office's accounting entries used to record the cash transfers for operational requirements to Satellite/External Campuses from January to December 2014 totaling P551,305,146.24 and its corresponding liquidations were not in accordance with the accounting entries prescribed in COA Circular No. 2013-002 and COA Circular No. 2014-003, resulting in the misstatement of the affected accounts.

Hence, you are directed to use and follow the prescribed accounting entries provided in above-mentioned COA circulars to record fund/cash transfers to VSU Satellite Campuses and make the necessary corrections/adjustments on the affected accounts. All similar transactions in the future should adhere to the stipulations of the said COA circulars.

For your guidance and immediate action.


JOSE L. BACUSMO
President

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



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. 2015-001

April 17, 2015

AUDIT OBSERVATION MEMORANDUM (AOM)

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

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

We have reviewed the Cash Transfers to External Campuses for calendar year 2014 and observed the following deficiencies:

The accounting entries used to record the cash transfers for operational requirements to Satellite/External Campuses from January to 31 December 2014 totaling P551,305,146.24 and the corresponding liquidations were not in accordance with the accounting entries prescribed in COA Circular No. 2013-002 and COA Circular No. 2014-003, resulting in the misstatement of the affected accounts.

The Philippine Public Sector Accounting Standards (PPSAS), Vol. 1 reads in part:

Section 27. Financial Statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSASs. The application of IPSAS, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.

Section 29. In virtually all circumstances, a fair presentation is achieved by compliance with applicable IPSASs. A fair presentation also requires an entity:

- (a) xxx
- (b) To present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information.

(c) xxx

Funds for the monthly operational requirements of the VSU external campuses for Personal Services and MOOE including funds for Capital Outlay and other funds such as for Scholarship/financial assistance and for the implementation of some programs and projects are transferred by the VSU Main Campus by drawing checks for deposit to their respective current bank accounts maintained with the Authorized Government Depository Bank. For calendar year 2014, a total of P551,305,146.24 was obligated and transferred to the four (4) external campuses. Details are shown below:

External Campus	PS	MOOE	Capital Outlay	Total
Isabel	P20,423,723.00	P2,793,718.49	P23,489,178.00	P46,706,619.49
Tolosa	16,830,489.41	2,446,232.31	15,614,565.70	34,891,287.42
Alang-alang	17,341,089.03	2,230,948.99	5,800,687.88	25,372,725.90
Villaba	17,296,109.32	2,654,571.01	3,650,062.00	23,600,742.33
Total	P363,618,328.20	P84,244,495.77	P103,442,322.27	P551,305,146.24

Review of the related accounting entries revealed that fund/cash transferred to the external campuses were recorded as debit to Due from NGAs account. Credit to such account is made every end of each quarter. A journal entry is drawn to close the quarterly balances of the four (4) satellite campuses by debiting Cash in Bank-Local Currency account and crediting Due from NGAs.

The use of the Due from NGAs account to record fund transfers to campuses is inappropriate and erroneous because pursuant to COA Circular 2013-002 dated January 30, 2013, Due from National Government Agencies (1-03-03-010) account is used to record advances for purchases of goods/services as authorized by law, fund transfers to the NGAs for implementation of projects and other receivables from NGAs. A credit to the account is made upon receipt of goods/services, and liquidation of fund transfers/receivables. In the case of the VSU, its external campuses are not separate and independent NGAs and do not maintain complete set of books. In fact, cash and check disbursements of external campuses are consolidated with the main campus based on the Cash and Checks Disbursements Journals submitted by external campuses. Expenses and other disbursements are recorded and consolidated in the main campus.

The balances of Due from NGAs of the four (4) satellite campuses for the quarter ending 31 December 2014 are as follows:

Campus	Amount
Alang-alang	P 5,050,115.52
Isabel	24,212,245.04
Tolosa	10,791,038.67
Villaba	3,083,089.83
Total	P43,136,489.06

The entry made to close the sampled quarter ending balances of the 4 satellite campuses is as follows:

Dr. Cash in Bank-LCCA	P43,136,489.06	
Cr. Due From NGAs		P43,136,489.06

The prevailing accounting treatment of fund transfers to external campus and the corresponding liquidation are inconsistent with the following accounting journal entries for funds transfer and its liquidation as provided in COA Circular No. 2013-002 dated 30 January 2013 and COA Circular No. 2014-03 dated 15 April 2014, to wit:

Fund/Cash Transfer	Liquidation
Cash in Bank – LCCA xxx Cash – MDS Regular xxx	For MOOE/Capital Outlay:
	Expense Accounts xxx
	Inventories xxx
	Cash Advance Accounts xxx
	PPE Accounts xxx
	Cash in Bank LCCA xxx
	Liquidation of CA:
	Expense Accounts xxx
	Cash Advance Accounts xxx
	For PS:
	Advances for Payroll xxx
	Cash in Bank LCCA xxx
	Liquidation of DO:
	Salaries and Wages xxx
	Allowances xxx
	Advances For Payroll xxx
	Trust Liabilities xxx


The erroneous accounting entries to record the fund/cash transfer and the corresponding liquidation resulted in the overstatement of the Due from NGAs account and understatement of Cash in Bank accounts and other affected accounts.

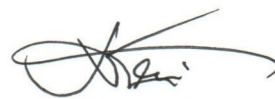
It was further noted that the Journal Entry Voucher (JEV) which is posted in the General Journal to close the quarterly balances was not supported with any document. The details as to how the recorded amount was arrived at was not clear, thus the correctness of the amount are doubtful.

Alan & Honey,
pls prepare
a memo to this
effect. Thanks
sam

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.

May we have your comments on the foregoing audit observations with fifteen (15) calendar days from receipt hereof.


ELINA M. ENCINA
Audit Team Leader, Team 4


ADELINA A. NERIDA
OIC-Supervising Auditor

Proof of Receipt of AOM:

Name: _____

Date: _____

Name: _____

Date: _____