



Visayas State University

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Office of the President

21 March 2012

MEMORANDUM No. 130
Series of 2012


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

RE: COA Audit Observation Memorandum No. VSU 101/164-12-009 (11)

In compliance to the recommendation of the Audit Observation Memorandum No. VSU 101/164-12-009 (11) from Commission on Audit-Leyte Audit Group E dated March 15, 2012, your office is required to make the adjustments to bring the balances of Textbooks and Instructional Materials Expense account in the financial statements in order. Herewith is a copy of the AOM for your reference.

Submit the adjusted financial statement of the account to COA 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



Republic of the Philippines
COMMISSION ON AUDIT
Visayas State University
VISCA, Baybay, Leyte

Office of the Auditor

Audit Team 17 – Audit Group E, Leyte Audit Group

AOM NO: VSU 101/164-12-009(11)
March 15, 2012

AUDIT OBSERVATION MEMORANDUM (AOM)

Dr. Jose L. Bacusmo
President
Visayas State University
VISCA, Baybay, Leyte

Attention: Ms. Erlinda S. Esguerra
OIC – Accounting Unit

We have audited the Textbooks and Instructional Materials Expense accounts for the year and observed the following deficiencies/errors:

Books acquired for the University Library were recorded as Textbooks and Instructional Materials Expense (Account 763) contrary to Section 122 of the Manual on New Government Accounting System (MNGAS), Volume III, resulting in understatement of assets by P889,703.76.

Section 122 of MNGAS, Volume III, provides instructions to account as asset the cost or appraised value of books acquired for library of various schools, as follows:

“Books - This account is used to record the cost or appraised value of books acquired. This includes books in library of various schools, national agencies including the National Library and those purchased for use by students with a serviceable life for more than one year.

Debit this account for:

*Purchase of books
Transfer from government agencies, private entities and individuals
Items found at station
Free acquisition/Donation*

*Alan Honey
Pls. prepare
memo for Ms. Esguerra
Thanks -*

*4/11/2013
3/19*

OP

Credit this account for:

Sale
Transfer to government agencies
Involuntary destruction
Donation

• Verification of the financial statements for the year disclosed that acquisition of books totaling P 927,888.01 were recorded as Textbooks and Instructional Materials Expense. However, further verification revealed that this comprised not only of books for instructions but mostly for references of students, instructors and researchers amounting to P814,703.76. One (1) set Online Britannica Encyclopedia costing P 75,000.00 was also included in the total expense account. Please see Annex A for the schedule.

It was also noted that these procurements were all funded from Library Books under the general fund and Library Fees under the Special Trust Fund. Purchase Requests were signed by the University Librarian and were recommended for approval by various department heads concerned. Inspection and Acceptance Reports as well as the Inventory Custodian Slips were all acknowledged received by the University Librarian.

Hence, recording these books acquired for library use as Textbooks and Instructional Materials Expense resulted in understatement of the assets of the university by P 889,703.76.


Recommendation:

The University President should require the Accountant to make the following adjustments to bring the balances of the account Books in the financial statements in order:

<u>Account</u>	<u>Code</u>	<u>Debit</u>	<u>Credit</u>
Library Books	224	P814,703.76	
IT Equipment and Software	223	75,000.00	
Prior Years Adjustments	684		P889,703.76

May we have your comments on the foregoing audit observations within three (3) calendar days from receipt hereof.


REINA TERESITA P. JUNTILLA
State Auditor II


EVA U. FULACHE
Supervising Auditor

PROOF OF SERVICE OF COPIES OF NS TO PERSONS RESPONSIBLE

Name of Persons Responsible

Dr. Jose L. Bacusmo

Ms. Erlinda Esguerra

Position

President

Head, Accounting Office

Received by:

Date

8/20/2012