

EXECUTIVE SUMMARY

INTRODUCTION

The ILOCOS SUR POLYTECHNIC STATE COLLEGE (ISPSC) was created by virtue of Republic Act 8547 on February 24, 1998. It is a comprehensive multi-campus institution of higher learning with its main campus located in Santa Maria, Ilocos Sur. The other five (5) campuses are the College of Arts and Sciences in Tagudin, College of Agro-Industrial Technology in Cervantes, College of Commercial and Social Services in Candon City, College of Engineering and Technology in Santiago and College of Fisheries and Marine Sciences in Narvacan.

ORGANIZATIONAL SET-UP

The College is headed by Dr. Alejandro V. Directo, the President, who was installed in August 4, 1999. The total workforce of the College is composed of 348 personnel of which 336 are permanent and twelve are casuals. The others are working on a contractual and part-time basis.

FINANCIAL HIGHLIGHTS

The total assets, liabilities and equity of the College as of December 31, 2005 were P153,647,338.10, P5,245,332.34 and P148,402,005.76, respectively. There was an increase (decrease) of P9,203,359.95, (P1,493,751.92) and P10,697,111.87 over that of last year.

For current year 2005, the College had a total income of P 89,871,838.07 derived from income generating projects, trust receipts and subsidy income from the national government. There was an increase of P 5,575,051.37 as compared to last year's income of P 84,296,786.70. Total expenditures were P 79,164,188.80 .

OPERATIONAL HIGHLIGHTS

Projects and other accomplishments of the College during the year are the following:

| Program/Projects | Amount |
|--|-----------------------------|
| 1. Riprapping/Concreting of Road Network (Main Campus) | P400,000.00 |
| 2. Repair of the Home Economics Building (Narvacan Campus) | 198,600.00 |
| 3. Installation of College Website (Main Campus) | 150,000.00 |
| 4. Purchase of 24 Computer units with accessories | 590,000.00 |
| 5. Purchase of two (2) Air-conditioning units | <u>60,000.00</u> |
| TOTAL | <u>P1,398,600.00</u> |

SCOPE OF AUDIT

A financial and compliance audit was conducted on the accounts and operations of the Ilocos Sur Polytechnic State College for the year 2005. The audit was aimed to determine whether applicable laws, rules and regulations were complied with. It also aimed to ascertain reliability of the accounts and fair presentation of the financial statements.

OPINION IN THE STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements because cash advances totaling P3,842,913.96 remained unliquidated at the end of the year, resulting in the overstatement of the cash account and understatement of the total expenditures. Likewise, the accuracy of the Plant, Property and Equipment (PPE) totaling P 131,234,866.40 is doubtful since no inventory taking conducted and no reports submitted by the other five campuses of the College.

SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. Accuracy of the reported stolen collections from the income generating projects in the amount of P3,510.00 could not be ascertained due to the failure of the cashier to issue official receipts.

Require the Cashier to issue official receipts to acknowledge any receipt of collection pursuant to Section 68 of PD 1445 to determine accountability.

2. Slow collection of accounts receivable from the income-generating projects caused the amount to accumulate to P207,668.50, thus, depriving the agency the immediate use of the funds and the benefits which could have been derived therein.

Advise the Director of IGP's to intensify collections of the accounts receivables. Enforce remedial measures such as salary deduction, setting-up of credit limit and stop granting credit to those with long outstanding accounts and demand full settlement of accounts at every end of the semester or school year.

3. Remittances to the GSIS for the deductions of teachers and employees were credited to other accounts and not to the corresponding payees in violation of Section 36 of COA Circular No. 92-382 dated July 3, 1992, thus causing either over or under remittances of premium and loan payments in the amount of P26,527.99 and P 26,914.74 respectively.

Instruct the one in charge to cause the necessary corrections for the errors or discrepancies on the deductions and remittances to the GSIS. If evidences warrant, file appropriate charges against the accountable person for the acts committed. Likewise, preparation of payrolls and the corresponding remittances of the College should be done separately by two (2) different persons to avoid possible deliberate errors.

4. Honoraria paid to the Board of Trustees in the amount of P98,000.00 was not in accordance with Section 18, Rule IV of the implementing rules and regulations of RA 8292, hence, considered excessive payment and therefore not allowed.

Require the Officials concerned to pay the proper amount of honoraria and strictly adhere to the provisions of Section 18, Rule IV of RA 8292 to avoid any excessive payments. Ensure that all policy guidelines and procedures regarding the disbursements of trust funds of the College should be approved by the Board through a resolution.

5. One hundred fifty (150) disbursement vouchers amounting to P1,812,501.71 were not submitted within the prescribed time in violation of Section 200 of PD 1445, thus causing delay in the audit of the accounts.

Cause the immediate submission of all disbursement vouchers and payrolls pursuant to Section 100 of PD 1445 for audit, review and examination. Likewise, closely supervise and monitor the accounting personnel to ensure the early preparation and regular submission of financial reports.

6. Liquidation vouchers amounting to P 818,444.09 were not supported with complete documentation in violation of Section 4 (6) of PD No. 1445, thus, casting doubts on the propriety, validity and legality of the cash advances granted to agency officials and employees.

Advise the Accountant to ensure that all claims against government funds are supported with complete documents pursuant to Section 4 (6) of PD No. 1445. All supporting documents should be prepared and submitted to establish the propriety, validity and legality of the cash advances granted to agency officials and employees.

7. Financial reports of the income-generating projects were not prepared and submitted on time to the Cashier's office, Accounting office and other offices concerned causing delay in the recording of income collected as well as the evaluation and assessment of the profitability of the projects.

Require all project-in-charge to update their records regularly and submit required reports promptly to provide ready information or data needed in recording, evaluation and assessment of the income-generating projects.

Closer supervision and attention should be given to ensure their profitability and financial capability to provide the College with more much-needed funds.

8. Implementing rules and regulations of RA 9184 were not strictly complied with, thus the procurement system of the College needs improvement to ensure efficiency and economy in the procurement process.

Strictly adhere to the implementing rules and regulations of RA 9184 to improve the procurement system and to ensure the attainment of efficiency and economy in the procurement process. Likewise, all policy guidelines and procedures should be strictly complied with to avoid any possible liability arising from irregularities and deviations in the procurement process.

9. Time lag in the deposit or remittance of daily collections of the cashier and the collecting officers of other campuses ranged from 3 – 72 days which caused collections to accumulate in the hands of the collecting officers to as high as P 980,100.00, thus exposing cash to possible misuse and eventual incurrence of cash shortage.

Call the attention of all Collecting Officers and the Deans of the different campuses and require them to remit the collections to the cashier promptly and intact. Also, remind the Cashier to deposit her collections daily and intact to the authorized government depository bank. Remittances of other campuses should be closely monitored to ensure that all collections and income constitute as funds of the College are deposited intact to avoid possible losses through theft, misuse or misappropriation.

IMPLEMENTATION OF PRIOR YEAR'S RECOMMENDATIONS

Of the six (6) recommendations embodied in the 2004 Annual Audit Report, three (3) or 50% were implemented. The unimplemented recommendations were reiterated in the report to remind the officials and personnel of their responsibilities.