

## EXECUTIVE SUMMARY

### Introduction

The Mariano Marcos State University (MMSU), Batac, Ilocos Norte, named after the father of former President Ferdinand E. Marcos, was established on January 6, 1978 by virtue of Presidential Decree No. 1279. It has five campuses with only one set of books of accounts maintained at the Batac Main campus. The other campuses are located in Laoag City, Paoay, Dingras and Currimaos.

The **VISION** of the university is to become a major source of industry-ready graduate and market oriented technologies for agro-industrialization in the context of sustainable development. To attain these objectives, the MMSU has directed its **MISSION** to contribute substantially to better quality of life and ecological balance through resident instruction, productivity, client-oriented research and extension programs and projects supported by adequate manpower, education resources and information technology.

The university is headed by **DR. MIRIAM E. PASCUA**, university president who was newly installed by CHED for a two-year term on May 6, 2005 to complete the unexpired term of her predecessor, DR. SATURNINO M. OCAMPO, JR. who was promoted to CHED Commissioner on October 28, 2004. Dr. Nancy Balantac, Vice President for Academic Affairs was appointed officer in charge from October 29, 2004 to May 5, 2005 while the search for a newly-appointed university president was being undertaken.

The university has 963 personnel complement as of December 31, 2005 composed of 447 teaching and 516 non teaching staff. It offers nine (9) academic units with a total of 8,438 students classified into 350 in the graduate School, 6878 degree programs, 122 non-degree programs, 491 secondary (laboratory), 464 elementary, 120 kindergarten and nursery and 13 short term programs in Professional Education and Child Program.

### Financial Highlights

The university's consolidated assets, liabilities and residual equity as of December 31, 2005 were P216,147,926.10, P5,364,461.53, P169,273,814.25 respectively which correspondingly increased/(decreased) by .53%, (11 %) and 14 % over(lower) than in 2004. The university received total Notices of Cash Allocation (NCA) amounting to P239,521,869.00 which included funds requested for the payment of amount due to internal and external creditors amounted to P4,699,033.46 leaving an unused NCA reverted to National Treasury of P2,092,835.54 at the end of the year. Total expenditures amounted to P274, 878, 559.52. Total collections from tuition and other miscellaneous fees under Special Trust Fund amounted to P27, 210, 018.72 . The total income generated from the various Income Generating Projects of the university was P18,457,970.04.

## **Operational Highlights**

The Commission on Higher Education (CHED) recognized MMSU as center of Excellence in Teacher Education and Agricultural Engineering, Center of Development in Ceramics Engineering and Special Center of Development in Agriculture. The university has always maintained its exemplary performances in Licensure Examinations in nursing, physical therapy, pharmacy, accountancy and electrical and mechanical engineering. An accreditation of academic programs offered by the university was undertaken by the CHED during the year to determine its leveling category that will serve as a basis in the approval of its budget by the DBM. It has also established academic partnerships through Memorandum of Agreement with the National Taiwan University and Asian Vegetables Research Development in Taiwan for exchange of faculty and training of researchers and scientists.

## **Scope of Audit**

The audit was conducted to ascertain the propriety of financial transactions and compliance of the agency to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports as well as the fairness of the presentation of the financial statements. Our audit was conducted in accordance with generally accepted auditing standards and we believe that it provides reasonable basis for the results of audit.

## **State Auditor's Report on the Financial Statements**

The auditor rendered a qualified opinion on the fairness of the presentation of the university's financial statements as of December 31, 2005.

## **Summary of Significant Observations and Recommendations**

1. Spare Parts Inventory was overstated by P1,014,538.40 for the unrecorded issuances in prior years due to non submission of Reports of Supplies and Materials Issued (RSMI) for spare parts issued.

***Require the Supply Office Division to prepare and submit the corresponding RSMI covering spare parts issued in prior years for the Accounting Unit to record the same in order to present fairly the Inventory accounts.***

2. Office equipment costing P116,900.00 and Other Supplies Inventory worth P83,035.00 acquired by Student Body Organization and the University "SIRMATA" Publication were not recorded, hence, the Property, Plant and Equipment (PPE) and Inventory accounts were understated by the same amount.

***Advise the Director concerned, advisers and officials of the different Colleges and Central Student Councils to report all acquisitions of equipment and inventory for***

***recording in the books of accounts of the university in order to present fairly the PPE and Inventory accounts.***

3. Collective Negotiation Agreement (CNA) cash incentive paid to the two accredited organizations of the University amounting to P13,437,652.33 pursuant to Resolution No. 4,s.2002 of the Public Sector Labor Management Council (PSLMC) as confirmed under Administrative Order No. 135 dated December 27, 2005 and DBM Budget Circular No. 2006-1 dated February 1, 2206 exceeded the authorized or allowed limit by P2,687,530.46, thus, the prior year's expense account was overstated by same amount.

***We respectfully recommend to the top management of the university to refrain from paying any incentive packages to the two accredited organizations of the University without adhering strictly to the implementing rules and regulations issued by the DBM to ensure that the guidelines are followed to safeguard government resources of the university. Likewise, cause the refund of the amount granted in excess of the authorized limit.***

4. Cost of repairs and maintenance for the housing units amounting to P989,136,07 could have been reduced by P46,087.00 representing unused construction materials had the concerned officials properly estimated the work to be done and purchased only the materials needed..

***Require the Physical Plant General Services Division to estimate properly the work to be done and purchase only the materials needed for any repairs in order to avoid excessive unused items and save on government funds for other Income Generating Projects. Utilize the unused construction materials for other purposes to avoid waste of government resources.***

5. The amount of P 441,050.71 representing refunds of unused cash advances and payment of accommodated personal calls during the year was remitted to the National Treasury, hence, the decrease in funds to be utilized by the university to pay other obligations incurred by them.

***Refrain from granting cash advances in excess of the amount needed and stop the practice of accommodating personal long distance calls made by employees to avoid the reversion to the National Treasury funds which could have been used for other authorized obligations of the university during the year.***

#### **Status of Implementation by the Auditee of Prior Year's Audit Recommendations**

Out of the four (4) audit recommendations reflected in the Annual Audit Report for 2004, three (3) were fully implemented and one (1) was partially implemented at the end of the year. We reiterated its full implementation in the following year.