

EXECUTIVE SUMMARY

A. Introduction

The Central Luzon State University (CLSU) was established in 1907, which for over the long years has been known as an agriculture-oriented educational institution; and became a comprehensive University, offering a number of science curricula in addition to its undergraduate, graduate and post graduate courses. It has also a Laboratory Science High School and an Agricultural Science and Technology School (ASTS) on the campus.

The CLSU's mandate is to primarily give professional and technical training in agriculture and mechanic arts besides providing advanced instruction and promoting research in literature, philosophy, the sciences, technology and arts.

The University has four main programs, namely: Instruction, General Administration and Support Services (GASS); Research, Extension and Training (RET); and Production.

B. Operational Highlights

The CLSU reported the following major accomplishments under different Performance Indicators for Calendar Year 2018:

1. **Enrollment** - Total enrollment in the ten Colleges offered by the CLSU was increased by 7.4%, from 9,653 students in the second semester of SY 2017-2018 to 10,366 students during the first semester of SY 2018-2019.
2. **Graduates** - From the ten Colleges offered by the University, 626 students had graduated during the 27th Mid-Year Commencement Exercises held on February 28, 2018, while 1,983 students had graduated during the 66th Annual Commencement Exercises held on July 1, 2018.
3. **Performance of Graduates in Licensure Examinations** - Presented in the following table is the ranking performance of the CLSU graduates in different licensure examinations given by the Professional Regulations Commission:

Licensure Examination	Date of Examination	Institutional Passing	National Passing
Professional Teachers			
Elementary	September 30, 2018 <i>(results released in December 2018)</i>	43.86%	20.29%
Secondary		67.18%	48.03%

Licensure Examination	Date of Examination	Institutional Passing	National Passing
Certified Public Accountants	October 6, 7, 13, 2018	43.40%	25.19%
Psychometricians	October 29-30, 2018	48.81%	54.46%
Chemists	October 9-11, 2018	56.52%	45.05%
Chemical Technician	October 11, 2018	73.33%	87.32%
Fisheries Technologists	October 24-25, 2018	66.67%	28.31%
Civil Engineers	November 10-11, 2018	46.43%	45.11%

4. Curriculum Development and Enhancement –

- Five programs were subjected to the 4th survey visit by the Accrediting Agency of Chartered Colleges and Universities in the Philippines (AACUP) on December 3-7, 2018.

5. Faculty and Staff Development –

- There are 122 faculty and staff members pursuing their studies/advanced degrees in various fields; two of them commenced during the period in review.
- One hundred twenty-nine faculty and staff members attended/participated in various in-house and non-degree trainings and conferences, while 21 travelled abroad to conduct benchmarking, establish linkages/partnership, attend/participate and serve as lecturers, speakers and presenters in various conferences.
- One individual award (international) and three group awards/recognitions (two international and one regional) were received by the members of the faculty and staff.

6. Research and Development –

- There are 139 on-going research projects/programs/studies during the period in review, and nine were completed.
- There are two newly-approved projects under the Research Office and Philippine-Sino Center for Agricultural Technology (PhilSCAT) with a total amount of ₱13,542,911.00 funded by Department of Agriculture - Bureau of Agricultural Research (DA-BAR) and Department of Agriculture - Regional Field Office No. 3 (DA-RFO3), respectively.

- Sixteen research papers were presented internationally while four were presented (oral and poster) nationally by the researchers under Research, Extension and Training (RET).
- The Tuklas-Lunas Development Center research program on the medicinal properties of mushrooms received a total grant of ₱28.8 million from the Department of Science and Technology - Philippine Council for Health Research and Development (DOST-PCHRD).
- The research program “Fishery By-Products Processing for Application in Food Formulation: Towards Commercialization and Zero-Waste Industry” received ₱3.8 million from the Department of Science and Technology - Philippine Council for Industry, Energy, and Emerging Technology Research and Development (DOST-PCIEERD) for its first year implementation.
- The requests of the authors of 22 journal articles for publication incentives were processed.
- Seven innovations were applied for Intellectual Property Rights (IPR).
- As part of the University’s Pro-Active Engagement initiatives, the following were accomplished:
 - trained 4,242 farmers, researchers, students and cooperative officers/ members;
 - accommodated and provided technical assistance to 3,898 visitors;
 - established 19 techno demo set-ups;
 - rendered consultancy and expert services to 3,947 clientele;
 - implemented development and development-related projects covering a total of 3,866 clientele who are mostly agri-fish farmers and technicians;
 - distributed 4,064 IEC materials to clientele for free; and
 - The offices and centers under RET participated in four (4) different exhibits and trade fairs.
- Three new buildings were inaugurated: Nanotechnology R&D Facility Building; College of Agriculture Administration Building; and the Central Luzon ICT Research, Development and Training Center. Meanwhile, five infrastructure projects under the RET Program were being developed for the period with a total cost amounting to ₱21,731,281.68.
- A Memorandum of Agreement (MOA) with Maejo University was forged through the College of Fisheries. Under the RET Program, a total of 71 linkages have signed Memorandum of Agreement/Understanding (MOA/MOU).

The amount of ₱8.429 million was generated by the University Business Affairs Program (UBAP) through the different Income Generating Projects (IGPs) under it during the period in review.

C. Financial Highlights

The following data show the financial position, sources and application/utilization of funds and the allotments, obligations and balances of funds of the CLSU for the year 2018:

Financial Position	2018	2017
Assets	₱1,861,066,743.50	₱1,588,291,559.51
Liabilities	501,446,267.23	412,503,617.80
Net Assets/Equity	1,359,620,476.27	1,175,787,941.71
Results of Operations		
Total Revenue and Net Financial Assistance/Subsidy/Gain	1,140,533,997.84	1,126,712,185.67
Total Expenses	950,808,238.09	1,029,216,093.16
Surplus/(Deficit) for the Period	189,725,759.75	97,496,092.51
Allotments, Obligations and Balances		
Allotments	902,114,593.00	944,709,912.63
Obligations	895,524,774.61	933,577,917.90
Balances	6,589,818.39	11,131,994.73

D. Scope of Audit

The audit covered the review of accounts and financial operations of the CLSU for the year ended December 31, 2018. We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provided a reasonable basis for the audit results. The objectives of the audit were to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior year's audit recommendations.

The thrust areas identified in the audit instructions were audited on a sampling basis and the audit observations were incorporated in Part II of the report, as follows:

1. Financial Audit

- a. Cash and Cash Equivalents
- b. Receivables
- c. Inventories
- d. Property, Plant and Equipment
- e. Financial Liabilities
- f. Inter-Agency Payables

2. Compliance Audit

- a. Compliance of the agency with pertinent provisions of the Philippine Public Sector Accounting Standards (PPSAS) as adopted in the Government Accounting Manual (GAM) for National Government Agencies in the correct recording and reporting of Inventories and Biological Assets accounts
- b. Compliance of accountable officers in the proper custodianship and accounting for government funds handled by them, pursuant applicable laws, rules and regulations
- c. Compliance by the agency officials with applicable rules and regulations pertaining to payments of honoraria from special projects.
- d. Compliance with RA No. 9184 (Government Procurement Reform Act)
- e. Programs and projects related to Gender and Development (GAD)
- f. Compliance with BIR rules and regulations
- g. Compliance with RA No. 8291 (GSIS)
- h. Compliance with RA No. 9679 (Pag-IBIG)

E. Independent Auditor's Report

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of CLSU as of December 31, 2018 due to (a) dormancy of the amount of Inventories account for three years, caused by the absence of Supplies Ledger Cards, which rendered unreliable the year-end balance reported at ₱7,971,748.39; and (b) net overstatement of ₱1,850,923.00 on the Biological Assets account with a reported year-end balance of ₱11,058,084.00 due to (i) overstatement of ₱8,532,124.00 caused by non-adjustments for ₱5,222,836.00 book values of 645 heads of non-existing livestock and reduced fair values of ₱3,309,288.00 on the cost of 51 heads imported sheep; and (ii) understatement of ₱6,681,201.00 caused by the failure of the Accounting Unit to record biological assets owned by the University which are under the supervision of the College of Agriculture and the University Business Affairs Program (UBAP).

For the above exceptions, we recommended that the University President (a) designate a specific personnel to be assigned at the Accounting Unit to prepare and maintain the Supplies Ledger Cards (SLCs) for all supplies and materials carried in stocks; (b) require the Chief Accountant to (i) conduct an immediate coordination and reconciliation of inventory records with the Property Unit to update the dormant inventory balances in the books; (ii) undertake full coordination with the Property Unit, update the accounting records of Biological Assets in accordance with the submitted QRBA, and effect the necessary adjustment for the overstatement of ₱8,532,124.00, as warranted by sufficient documents; (iii) adjust the Biological Assets account for the overstated values of the 51 heads of imported sheep with fair values less cost to sell as reduced by ₱3,309,288.00; and (iv) record the biological assets under the supervision of the College of Agriculture and the UBAP Office totaling ₱6,681,201.00; and (c) instruct the Chief, Property and Supply Unit to (i) prepare and submit to the Accounting Unit the daily Report

of Supplies and Materials Issued (RSMI), semestral Report on the Physical Count of Inventories (RPCI), and consolidated monthly Inventory Reports submitted by the UBAP Office; and (ii) submit/present the individual animal record corresponding to the 645 heads of livestock totaling ₱5,222,836.00 that were recorded in the accounting books, to determine the history and existing condition/status as to whether those were re-classified under other animal group, sold, disposed or died.

F. Summary of other Significant Audit Observations and Recommendations

The following are the significant audit observations and recommendations which are discussed in detail in Part II of the Report:

1. Funds totaling ₱437,531,469.46 transferred to the University by external Funding/Source Agencies covering the period of CYs 2017-2018, for implementation of special programs/projects, were recorded under Fund Code 05- Internally-Generated Fund, instead of Fund Code 07-Trust Receipts, contrary to Section 13 of the Government Accounting Manual (GAM) for National Government Agencies, Volume I, hence receipts, disbursements and balances of the two funds were lumped into a single trial balance and financial statement that resulted in non-identification of the specific figures pertaining to each fund cluster. (*Audit Observation No. 3*)

We recommended that the Head of the Accounting Unit effect the recording of all the receipts and disbursements transactions covering trust funds from externally-funded projects under Fund Code 07- Trust Receipts, in conformity with Section 13 of the Government Accounting Manual (GAM) for National Government Agencies, Volume I, for independent reporting in the financial statements.

2. Expenses incurred under external funds transferred to the University were not initially recognized under the appropriate expense accounts but automatically debited as “Due to NGAs”, contrary to the prescribed accounting entries under Annex H of the Government Accounting Manual for National Government Agencies, Volume I. Moreso, Fund Utilization Reports were not timely submitted to the Source/Funding Agencies, resulting in discrepancies on the account balances in any particular period. (*Audit Observation No. 4*)

We recommended that the Chief Accountant (a) strictly adhere with the prescribed accounting entries of recording transactions pertaining to the receipts, disbursements and liquidation of externally-funded projects, in conformity with those provided in Annex H of the Government Accounting Manual (GAM) for National Government Agencies, Volume I; and (b) submit the Fund Utilization Reports to Source/Funding Agencies pertaining to the utilization of IATF as prescribed in the MOA, DOST and DA Project Implementation Guidelines and in the Government Accounting Manual.

3. Balances of fund transfers to other government agencies during CYs 2013 to 2015 under PhilSCAT project in the total amount of ₱80,766.43 under account- Due from

National Government Agencies (NGAs) remained unliquidated/unreported on as at year end, contrary to COA Circular No. 94-013 dated 13 December 1994 thus, the status of the project implementation and compliance with the project requirements could not be determined, while the said remaining/unutilized balances may be subject to possible misuse. (*Audit Observation No. 5*)

We recommended that the University President instruct the Director of PhilSCAT to make follow-ups on the third demand letters issued to the three Implementing Agencies (IAs) with unliquidated funds received from the CLSU under PhilSCAT Project and enforce the prompt submission of their liquidation reports, in conformity with the requirements under COA Circular No. 94-013.

4. Payments of honoraria totaling ₱19,164,064.75 to 21 Administration Officials and Staff of the University from externally-funded projects exceeded the prescribed limitation by ₱16,515,316.75, contrary to Section 54, General Appropriations Act, Fiscal Year 2018, and the guidelines under DBM Budget Circular No. 2007-002 dated October 1, 2007. The amount of ₱9,818,355.75 was refunded by the recipients concerned before the last day of audit field work, leaving an unsettled balance of P6,696,961.00 pursuant to the Audit Team's recommendation under AOM No. 2018-013(18) dated December 19, 2018. (*Audit Observation No. 6*)

We recommended that the University President require the (a) officials concerned to (i) amend the Internal Guidelines on the use of Administrative Costs from externally-funded projects, which shall contain the specific nature of expenditures for which the fund shall be utilized, including the rates and limitation on payment of honoraria to each designated Administrative Support Staff, in conformity with existing regulations on the payment thereof; and (ii) present the said amended Internal Guidelines for approval of the Board of Regents; (b) Administration Officials and Staff concerned to refund the remaining balance of excess honoraria paid to them totaling ₱6,696,961.00; and (c) Cashier to remit all refunded amounts to the Bureau of the Treasury.

5. Honoraria paid to 29 University personnel engaged in research/special projects were not subjected to the 25% limitation under Section 54 (e) of the General Provisions, Fiscal Year 2018 despite absence of the required certificate of eligibility from the DOST for non-DOST personnel, prescribed in Section 8 of Republic Act No. 8439, resulting in excess payments totaling ₱1,851,488.00. Meanwhile extra incentives given to project proponents which formed part of the excess honoraria, were not supported with legal basis or authority, and 11 of these personnel incurred overpayments from non-DOST special projects alone, thus rendering them subject to the 25% cap. (*Audit Observation No. 7*)

We recommended that the University President require the personnel concerned to (a) submit a certification issued by the DOST Secretary stating that they are S & T personnel who are qualified to the honoraria provided under RA No. 8439 which are not subject to the 25% limitation; (b) submit legal basis or authority used in giving extra incentives to project proponents from the project funds handled by them; and (c) refund the excess honoraria received from special projects which are covered by Section 54 (e) of the General Provisions for Fiscal Year 2018.

6. The revised Veterinary Hospital Manual of the College of Veterinary Science and Medicine-Animal Medical Center (CVSM-AMC) has not been submitted to the Board of Regents for approval, thus the changes in the operational guidelines and the expansion of services offered as well as the amounts of fees being currently charged have not been approved by the Board. (*Audit Observation No. 8*)

We recommended that the University President instruct the (a) Dean of the CLSU-CVSM to ensure that all services being rendered in the CVSM-AMC and the corresponding fees imposed shall be properly documented and duly sanctioned by the Board of Regents, consistent with the powers and duties of the said Governing Body; (b) assigned Committee to fast track the finalization of the updated Operating Guidelines and Procedures of the CVSM-AMC, integrating therein the current services offered, up-to-date operating processes being followed, comprehensive schedule of fees currently in effect, organizational chart, and other information essential to the business operations; and submit the same to the Office of the University President for endorsement to the Board; and (c) Office of the University Business Affairs Program and the Internal Audit Services to (i) monitor compliance by the hospital management of the Operating Guidelines and Procedures; (ii) regularly review the effectiveness and relevance of the Operating Guidelines and Procedures; and (iii) regularly submit to the University President, for endorsement to the Board of Regents, proposed enhancements to the Operating Guidelines and Procedures to be responsive to current conditions.

7. Collections totaling ₱2,218,823.50 reported by the College of Veterinary Science and Medicine (CVSM) for services rendered and veterinary supplies sold at the Animal Medical Center (AMC) covering the period from April 2016 to September 2018 were (a) received by persons not duly authorized and not bonded; (b) acknowledged through improvised receipts instead of prescribed and accounted Official Receipts; (c) not remitted to the University Cashier but used as revolving funds of the CVSM-AMC; and (d) not properly recorded and accounted for, all of which were in violation to the relevant provisions of Presidential Decree (PD) No. 1445 and pertinent Sections of Government Accounting Manual (GAM) Volumes I and II. (*Audit Observation No. 9*)

We recommended that the University President require the concerned officials of the CVSM-AMC to (a) deposit the total collections of the designated Collecting Officer with the University Cashier at the end of each working day; (b) establish reasonable amount of Petty Cash Fund for payment of petty operating expenses within the CVSM-AMC; (c) undertake the procurement of supplies/materials for stock at the CVSM-AMC through the correct mode of procurement under RA 9184; (d) record collections and disbursements through the use of Cash Receipts Record (CRRec) and Cash Disbursements Record (CDRec) or Petty Cash Fund Record (PCFR), respectively; and (e) initiate the designation of a Petty Cash Custodian to hold the authorized amount of Petty Cash Fund for the CVSM-AMC.

8. Lease Contracts and Memorandum of Agreements between the CLSU and private individuals/organizations on the utilization of its Agricultural Land for crop production and Land Improvements for business operations were either disregarded or expired, thus, the

interests of the University were not fully ensured which have resulted in losses of income. ***(Audit Observation No. 10)***

We recommended that the University President instruct the (a) Vice President, University Business Affairs Program (UBAP) to enforce from the CLSUFU the payment to the University of appropriate rental fees covering all periods of their utilization of the CLSU's farm lands for palay production without any payment given to the University, otherwise they must be prohibited from further utilization of the University's farm land; and initiate, if warranted, the preparation of Contracts of Lease with the CLSUFU and CLSUAAI containing specific conditions on the value of rentals to be paid to the University in exchange for the utilization of its farmland for crop/palay production; (b) University officials concerned to submit to the Audit Team written explanation on the issues and concerns noted in the implementation of the Memorandum of Agreement with Mr. Dizon with regard to the CLSU-Dizon Fruit Research and Technology Demonstration Center; (c) Office of the UBAP to prepare Lease Contracts for the 26 business owners operating within the University premises; (d) creation of a team who shall (i) revisit the current policies on lease contracts and formulate comprehensive stipulations that can be applied uniformly to all lease partners; (ii) make an inventory of all lease partners operating inside the University and prepare new sets of contracts based on the renewed policies; and (iii) continuously monitor the compliance of lease partners to agreed stipulations of the contracts; and (e) instruct the Credit and Collection Office to bill and collect electric and water consumptions of all business entities including college canteens, unless an approved University policy states otherwise.

9. The un-approved (GAD) Plan and Budget for CY 2018 totaling ₱31,735,000.00 constitutes only 3.36% of the University's Annual General Appropriations of ₱943,976,000.00 contrary to the 5% minimum requirement under PCW-NEDA-DBM Budget Circular No. 2012-01. Meanwhile, the number of programs and activities incorporated in the said budget were not fully implemented, with fund utilization totaling ₱28,364,129.98 representing 89.38 percent of the budget allocation. ***(Audit Observation No. 11)***

We recommended that the University President instruct the (a) Budget Officer to provide at least 5% of the total agency budget appropriations authorized under the annual GAA for the GAD Office to support the formulation of more GAD-related programs, activities and projects; and (b) Director of GAD Office to (i) effect the timely submission of the Annual GPB for endorsement/approval of the PCW as well as the corresponding Accomplishment Report; (ii) strictly monitor the implementation of each program and activity to ensure the limitation of expenditure within the allocated budget; and (iii) consider possible risks and corresponding solutions to fully implement all programs, activities and projects incorporated in the Annual GPB.

The foregoing audit observations and recommendations were communicated through Audit Observation Memoranda (AOM) and discussed during the Exit Conference with concerned University officials and employees. Their comments were incorporated in this report where appropriate.

G. Status of Audit Suspensions, Disallowances and Charges (SASDC)

The University has no unsettled audit suspension, disallowance or charge as at year end. Prior years' disallowances totaling ₱643,813.11 for which Notice of Finality of Decision (NFD) and COA Order of Execution (COE) were issued, were settled during the year, for which this Office issued Notice of Settlement of Suspensions, Disallowances or Charges (NSSDC) Nos. 18-001 dated June 19, 2018 and 18-002 dated October 8, 2018, in the amounts of ₱204,410.23 and ₱439,402.88, respectively.

H. Status of Implementation of Prior Year's Audit Recommendations

Out of 47 prior year's audit recommendations, 21 were fully implemented, 21 were partially implemented and five were not implemented, as shown below:

Particulars	Number	Percentage
Fully Implemented	21	44.68
Partially Implemented	21	44.68
Not Implemented	05	10.64
Total	47	100.00