

# **EXECUTIVE SUMMARY**

## **Introduction**

Romblon State University (RSU) is one of the oldest learning institutions in the Southern Tagalog Region. It was founded in 1914 as the Odiongan Farm School, which was later on converted into a college by virtue of Batas Pambansa (BP) Blg. 393. On October 14, 2009, Republic Act (RA) No. 9721 was approved converting the Romblon State College into a state university to be known as the Romblon State University (RSU), hereinafter referred to as the University. RSU is under the management of Dr. Arnulfo F. De Luna. The Board of Regents is the governing body of the University.

To date, the university has nine campuses: the RSU- Main Campus at Odiongan; the RSU-Romblon Campus at Brgy. Sawang, Romblon, Romblon; the RSU-Tablas Campuses at the Municipalities of San Andres, Calatrava, San Agustin, Sta. Maria, and Sta. Fe; and RSU-Sibuyan Campuses in the Municipalities of Cajidiocan and San Fernando, Province of Romblon.

## ***Mandate***

The University shall primarily provide and offer advanced education, higher technological, professional instruction and training in agriculture and fishery, forestry, science and technology, education, arts and sciences, and other relevant fields of study. It also promotes research and extension services, and provides progressive leadership in its areas of specialization.

## ***Vision***

Romblon State University as a premier institution of higher education in the MIMAROPA Region for a globally competitive province of Romblon.

## ***Mission***

The University shall be committed to provide advanced education, higher technological and professional instruction and training in agriculture and fishery, forestry, science and technology, education, arts and sciences, and other relevant fields of study. It shall undertake research and extension services, and provide progressive leadership in its areas of specialization.

## **Financial Highlights**

The university's financial condition and performance for Calendar Year (CY) 2018 compared with that of the preceding year are summarized below and shown in detail in the attached financial statements.

### ***Financial Condition***

<i>Accounts</i>	<b>CY 2018</b>	<b>CY 2017</b>	<b>Increase/(Decrease)</b>	
			<b>Amount</b>	<b>%</b>
Total Assets	576,623,162.18	377,926,172.24	198,696,989.94	52.58%
Total Liabilities	118,803,801.45	26,613,090.07	92,190,711.38	346.41%
Government Equity	457,819,360.73	351,313,082.17	106,506,278.56	30.32%

### ***Financial Performance***

<i>Accounts</i>	<b>CY 2018</b>	<b>CY 2017</b>	<b>Increase(Decrease)</b>	
			<b>Amount</b>	<b>%</b>
Income including Subsidy	360,988,516.19	325,528,909.05	35,459,607.14	10.89%
Expenses	264,233,322.30	281,314,666.21	(17,081,343.91)	-6.07%
Net Income	96,755,193.89	44,214,242.84	52,540,951.05	118.83%

### **Scope of Audit**

The Audit Team conducted Financial, Compliance and Value for Money Audit on the accounts and operations of the University for CY 2018. It included analysis of accounts in the financial statements, review of transactions and test of compliance with financial rules and regulations and assessment on the program's effectiveness, efficiency and economy. The objectives of the audit are to ascertain the fairness and reliability of the University's financial position and financial performance, to determine whether its operations were conducted in compliance with applicable laws, rules and regulations and to assess/measure the level of effectiveness, efficiency and economy of the quality of education offered by the University.

### **Audit Opinion on the Financial Statements**

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of RSU as the validity and existence of the recorded balances of the Property, Plant and Equipment (PPE) accounts as of year-end valued at ₱284,194,855.39 was doubtful due to (a) non-submission of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE); (b) non-maintenance of PPE Ledger Card (PPELC) and Property Card (PC); and (c) non-provision of depreciation to PPEs valued at ₱145,689,229.01.

## Significant Observations and Recommendations

For the exception cited above, we recommended that the University President:

- (a) Require the Property Custodian to prepare and submit the RPCPPE not later than January 31 of each year and require both the Accountant and the Property Custodian to maintain PPELCs and PCs, respectively, on all PPE accounts and ensure that these are regularly reconciled so that discrepancies could be investigated promptly and adjustments, if necessary, be effected accordingly; and
- (b) Require the Accountant to exhaust all possible means to determine the dates of acquisition of the PPEs in order to compute and record the depreciation in the books to present fairly the value of the PPEs in the financial statements.

In addition, hereunder are the other significant observations and the corresponding recommended courses of action:

1. Management did not submit to the auditor request for relief of accountability and/or write-off for the losses of government properties and records caused by fire at the Second Floor of Administration Building, Romblon State University-Main Campus on July 7, 2018, contrary to Section 73(1) of Presidential Decree (PD) No. 1445 and COA Circular No. 93-404 dated October 18, 1993, resulting in the difficulty to determine the quantity and cost of the properties which were damaged and/or lost and eventually be dropped from the books.

We recommended that Management strictly comply with Section 73 of P.D. No. 1445 and COA Circular No. 93-404 dated October 18, 1993. Similarly, we recommended that the University President (i) require the accountable officers proper submission of the Request for Relief from Records and Property Accountability. Otherwise, the accountable officers shall not be relieved from the accountability or be allowed credit for the loss during the settlement of their accounts; (ii) issue a notice of loss and to circularize the same for the information and guidance of all concerned to prevent the possibility of fraudulent use of the damaged Official Receipts (ORs); and (iii) require the accountant to derecognize in the books the lost property and the related accumulated depreciation and impairment loss upon receipt of the Report of Lost, Stolen, Damaged, Destroyed Property (RLSDDP) (Appendix 75) supported by a Notice of Loss prepared and submitted by the Accountable Officers as required under Section 41(b), Chapter 10 of the GAM for NGAs, Volume I.

2. The granting, utilization and liquidation of cash advances were not adherent to the provisions of Section 89 of Presidential Decree No. 1445 and COA Circular No. 97-002 dated February 10, 1997, thus resulted in unliquidated cash advances totaling ₱9,432,124.09 as of December 31, 2018 and rendered the doubtful validity, existence and collectability thereof due to a) thirty-four percent or ₱3,166,560.07 remained outstanding for more than a year of which ₱554,441.19 belong to officials and employees who were already retired/separated from the service; b) cash advances of

₱6,411,288.31 were granted even if their previous cash advances were not yet liquidated; and c) the Accounting Schedule showed negative balances on cash advances of seven AOs totaling ₱10,300.83.

We recommended that the University President, through the Accountant (i) cause the immediate liquidation/settlement of long outstanding cash advances by exhausting all possible remedies provided by said regulations; (ii) ensure that no additional cash advances are granted to officials and employees unless the previous cash advance given them is first settled and fully liquidated; and (iii) require strict compliance with the laws, rules and regulations on the grant, utilization and liquidation of cash advances.

3. The inability of the Accounting Unit to abide with the provisions of Section 112 of Presidential Decree No. 1445 resulted in the unreconciled difference of ₱1,165,762.72 between the accounting records and the balance in the Report of Collections and Deposits submitted by the Collecting Officer of San Fernando Campus thereby, affecting the reliability and accuracy of the Cash Collecting Officers account of the University.

We recommended that the University President require the (a) Collecting Officer of San Fernando Campus to submit the RCDs for the months of September 2017 and May 2018, and the deposit slips for the unrecorded deposits; and (b) Accountant to (i) draw the journal entry voucher to record in the books deposits totaling ₱665,530.92 after proper verification of supporting documents in compliance with Section 2.1.2 of COA Circular No. 92-125A dated March 4, 1992; (ii) exert extra effort in tracing and analyzing the unrecorded deposits; and (iii) reconcile the differences in the Cash-Collecting Officers account with the report of the Collecting Officer concerned.

4. Deficiencies were noted in the procurement of four infrastructure projects totaling ₱77,921,650.55 in violation of the provisions of the Revised Implementing Rules and Regulations (IRR) of RA No. 9184 due to the failure of the Bids and Awards Committee (BAC), and its Secretariat and Technical Working Group (TWG) to strengthen and perform their functions provided in Sections 12 and 14 of the same IRR thus, rendered the contracts defective. Moreover, the related contracts were not supported with complete documentation as required under COA Circular No. 2009-001 dated February 12, 2009, thus validity and propriety of the related transactions cannot be ascertained.

We recommended that the University President require the BAC to ensure proper compliance with the requirements prescribed under the Revised IRR of RA No. 9184 to prevent the same lapses in future procurements. Meanwhile, cause the investigation on the procurement procedures adopted by the BAC on the subject four projects and hold accountable those found remiss of their respective functions and duties.

5. Of the 17 Licensure Examinations participated in by the CY 2018, only four surpassed the national passing percentage, thus casting doubts on the University's potential in producing professionals among its graduates.

We commended Management with its compliance with program requirements prescribed by CHED and recommended to continue doing so in line with its mandate.

We also reiterated our prior year's recommendation that the Management instruct the Vice-President for Academic Affairs (VPAA) to adopt strategies to elevate the quality of education of the University especially those noted in audit and determine the causes for the low performance in licensure examinations to improve the performance of the University's graduates in the licensure examinations.

The above audit findings and recommendations were discussed with concerned officials and staff in an exit conference conducted on April 3, 2019. Management's views and comments were incorporated in the report, where appropriate.

### **Summary of Audit Suspensions, Disallowances and Charges**

The unsettled audit disallowances of the University as of December 31, 2018, which represented audit disallowances prior to 2009, totaled to ₱5,715,487.86. These were recorded in the books under the Receivables-Disallowances/Charges account.

### **Status of Implementation of Prior Year's Audit Recommendations**

Of the 12 prior year's audit recommendations embodied in the CY 2017 Annual Audit Report, three were fully implemented, six were partially implemented and three were not implemented by the Management.