

EXECUTIVE SUMMARY

A. INTRODUCTION

Agency Background

The Mindanao State University at Naawan was founded as a field laboratory of the MSU College of Fisheries under Dean Domiciano Kapili Villaluz in 1964. This field laboratory was intended to complement the MSU College of Fisheries program in freshwater aquaculture. Through the help of the municipal government, a 15-hectare mangrove area in Naawan, Misamis Oriental was acquired for training students in the design and construction of brackishwater ponds for culture of commercially important species of fish.

By 1981, the Institute was restructured pursuant to BOR Resolution No. 285, Series of 1981. In 1982, Naawan Fisheries High School was integrated with the Institute pursuant to BOR Resolution No. 174, Series of 1982. In 1988, MSU Naawan was formally organized as a distinct autonomous unit of the MSU System pursuant to Memorandum Order Nos. 3 and No. 45 and BOR Resolution No. 92, Series of 1988. Its vision is to be an internationally recognized dynamic institution providing relevant, excellent and quality education. Its mission is to holistically develop God-fearing manpower resources committed to the core values of integrity, industry, with respect to cultural diversity, and environmental sustainability for service excellence.

Dr. Elnor C. Roa assumed as the new Chancellor of the MSU-Naawan on July 6, 2018. The Institute has a total personnel complement of Two Hundred Ninety-Two (292), as shown below:

<u>Personnel Classification</u>	<u>Number</u>
Teaching	
Regular	108
Part time	39
Non-Teaching	
Regular	78
Contractual	8
Job Order (incl. Project-Based Personnel)	<u>59</u>
TOTAL	<u>292</u>

The Institute augments its manpower by hiring job order contracts to carry its mission of instruction, administration, research, extension and production.

Audit Methodology and Scope of Audit

A financial, compliance and value for money audit was conducted on the accounts and operations of the Mindanao State University – Naawan for the calendar year 2018.

The audit consisted of the review and verification of the agency's operating procedures, interview with concerned officials, and examining on the test basis, evidence supporting the amounts and disclosures in the financial statements to ascertain the validity of financial

transactions and accuracy of financial reports and accounting records in accordance with generally accepted accounting and auditing standards and adherence to laws, rules and regulations.

The observations and recommendations were discussed with the concerned university officials and employees during the exit conference on February 15, 2019 whose comments were incorporated in the report, where appropriate.

B. FINANCIAL HIGHLIGHTS

The total assets of the University as of December 31, 2018 is P215.767 million increased by P42.064 million or 24.22 percent. The increase in assets resulted from the implementation of Infrastructure Projects from prior year's appropriation and the additional and new funds received by the Agency from CHED and DA-BAR for the implementation of various Research and Extension Projects.

The total liabilities of the University as of December 31, 2018 is P28.334 million which represents current and non-current obligations. The amount of liabilities had decreased by P4.944 million due to the payment and settlement of prior year's payable.

The income for the year 2018 had increased by P30.703 million or 17.82 percent as compared to the CY 2017 income of P172.282 million. The increase in income was due to the increase in the Subsidy from National Government due to the payment of prior year's payable and infrastructure projects.

Comparative presentation of Total Assets, Liabilities, Equity, Income and Expenses

Accounts	2018	2017	Increase (Decrease)	
			Amount	Percent
Total Assets	P215.767 million	P173.703 million	P42.064 million	24.22%
Total Liabilities	P28.334 million	P33.278 million	(P4.944 million)	(14.86%)
Net Assets/Equity	P187.433 million	P140.425 million	P47.008 million	33.48%
Income	P202.985 million	P172.282 million	P30.703 million	17.82%
Expenses	P153.806 million	P143.755 million	P10.051 million	6.99%
Surplus (Deficit)	P49.179 million	P28.527 million	P20.651 million	72.39%

Comparative presentation of sources and application of funds

Particulars	2018	2017	Increase (Decrease)
Sources:			
Subsidy from National Gov't	P156.524 million	P142.110 million	P14.414 million
Subsidy from Central Office/Home Office	P17.625 million	P0.00	P17.625 million
Service and Business Income	P28.835 million	P30.172 million	(P1.337 million)
Total	P202.985 million	P172.282 million	P30.703 million
Application:			
Personnel Services	P128.365 million	P113.396 million	P14.969 million
MOOE	P22.768 million	P25.914 million	(P3.146 million)
Financial Expenses	P0.00	P4,100.00	(P4,100.00)
Non-Cash Expenses	P2.673 million	P4.441 million	(P1.768 million)
Total	P153.806 million	P143.755 million	P10.051 million
Excess Income over Expense	P49.179 million	P28.527 million	P20.652 million

C. OPERATIONAL HIGHLIGHTS

During the year, the Campus University was able to pursue the following major activities based on the targets set:

MFO	Performance Indicators	Target	Actual
MFO 1 – Higher Education Services			
	Total number of graduates	530	728
	Average passing percentage of licensure exams by graduates/national average percentage passing across all disciplines	52.75%	55.13%
	Percentage of graduates who finished academic program according to the prescribed timeframe	70.00%	61.93%
MFO 2 – Advanced Education Services			
	Total number of graduates	18	26
MFO 3 – Research Services			
	Number of research studies completed	25	27
MFO 4 – Extension Services			
	Number of persons trained weighted by the length of training	9,050	16,104
	Number of persons provided with technical advice	700	655

a. Instruction

Performance in Most Recent Licensure Examination:

College	Rate	
	2018	2017
LET (Elementary) 1 st Batch	75.00	24.00
LET (Elementary) 2 nd Batch	49.02	48.53
LET (Secondary) 1 st Batch	71.43	30.56
LET (Secondary) 2 nd Batch	56.25	58.51
Agriculturist LE (1 st Batch)	N/A	100.00
Agriculturist LE (2 nd Batch)	N/A	50.00
Forester LE	91.67	100.00
CPA Board Examination (1 st Batch)	00.00	25.00
CPA Board Examination (2 nd Batch)	00.00	14.29

b. Research

Particulars	Number	
	2018	2017
Completed Researches	27	24
On-going Researches	25	9
New Projects	4	7

c. Extension

Particulars	Number	
	2018	2017
Capability Training / Fora/Symposia	115	57
Completed Extension Activities	5	1
On-going Projects	17	15

d. Linkages (Research and Extension)

Particulars	Number	
	2018	2017
Foreign	16	16
National	10	8
Local Regional	56	18

D. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The auditor rendered a modified-qualified opinion on the fairness of the presentation of the financial statements for the year then ended, due to the following:.

1. Trust Fund Account balances that remained non-moving for five consecutive years or more and also, there are other accounts that remained in the books which are no longer necessary for the attainment of the purpose for which said funds were established, contrary to COA Circular 97-001 dated February 5, 1997 and Joint Circular No. 4-2012 dated September 11, 2012 of Department of Finance, Department of Budget and Management and Commission On Audit; there are Trust Fund Accounts with negative balances in the books of accounts affecting the fair presentation of the Financial Statements as of Dec. 31, 2018; there are programs or projects already completed with their unutilized balances still remain in the books contrary to Terms and Conditions stipulated in its respective Memorandum of Agreement; and twenty Five (25) bank accounts are being maintained for Fifty Nine (59) Trust Fund Accounts in the books contrary to Sound Accounting System hence, impairing the fair presentation of the Trust Fund accounts in the trial balance as of December 31, 2018.
2. Unrecorded three (3) Motor Vehicles in the total amount of P2.193 million contrary to the provisions of Chapter 10 of Government Accounting Manual (GAM) Volume I hence, also impairing the fair presentation of the Motor Vehicle accounts in the trial balance as of December 31, 2018.

E. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

In addition, the following is a summary of significant observations and recommendations in the audit and/or evaluation of the operation of the institute which needs immediate action. These and other audit observations and recommendations are fully discussed in Part II of the report and were discussed by the Audit Team with you and other officials in an exit conference on February 15, 2019.

1. Advance Payment in the procurement of a laboratory equipment and Splitting of Payments for the procurement of various materials for the by-administration rehabilitation, renovation and repairs of agency facilities amounting to P4.049 million were in violation of Section 88 of PD 1445 and COA Circular No. 2009-002, thereby rendering the transactions irregular.

We recommended the management to: (a) stop entering into a contract which obliges the Institute to make an advance payment for services not yet rendered or for supplies and materials not yet delivered; (b) avoid splitting of payments or making two or more payments for one or more items involving one PO. Otherwise, succeeding payment of the same transaction shall be suspended or disallowed in audit; and (c) accomplish and fill-up the Purchase Orders (POs) such as the mode of procurement, dates and terms of delivery and other vital information to guide properly the both parties who are obliged to fulfill their respective terms and conditions stated therein.

2. Collections from Rental of Motor Vehicle in the amount of P0.507 million has no legal basis hence unauthorized contrary to Section 66 of PD 1445 thus, impairing the

accuracy and reliability of the collection accounts in the Financial Statements for the Calendar Years 2016 to 2018.

We recommended the management to stop collecting rental fee charged against the project funds for the use of their owned motor vehicle. Instead, any related expenses to be incurred in facilitating a project or program should be appropriately charged against the respective funds like minor repairs, fuel consumption and so on. Also, minimize the use of owned-motor vehicle so as not to jeopardize the regular operations of the institute. Otherwise, hiring of motor vehicle from outsider should be resorted to if it is in the line item budget of a particular program/project fund. Moreover, the donated motor vehicle with a cost of P1.414 million should be recorded in the books of accounts as part of the Property, Plant and Equipment at its fair market value.

3. Ten Percent (10%) Retention from the Honoraria of Faculty and Twenty Five Percent (25%) Retention for Non-teaching Staff in the aggregate amount of P226,619.00 and P101,900.00 respectively are not authorized in violation of the Section 48 of General Appropriations Act (GAA) FY 2018 dated Dec. 29, 2017 thereby rendering the transactions irregular and depriving the officers and employees the correct amount that they should have been receiving as their honoraria.

We recommended the management to stop retaining 10 percent from the honorarium of teaching staff and 25 percent from the non-teaching staff. If funds are still available and authorized, the amount retained from the honorarium of the officers and employees as computed and indicated in the herein attached Appendix H should be paid to the concerned officers and employees.

4. Failure to obtain price quotations from at least three (3) bona fide suppliers and the use of Reimbursement Expense Receipt (RER) for procurement of meals & snacks and vehicle rental/hire for CY 2017-2018 in the aggregate amount of P1.603 million are in violation of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 and COA Circular No. 2004-006 thus, defeating the purpose of the law on transparency, competitiveness and accountability and deprived the Bureau of Internal Revenue of taxes due thereon as required under Section 114 of the National Revenue Code of 1997 as amended by Section 12 of Republic Act No. 9337 of 2005.

We recommended the management to: (a) Adhere strictly to the pertinent provisions of RA 9184 and its Implementing Rules and Regulations in all the agency's procurement; and (b) Stop using Reimbursement Expense Receipt (RER) for the procurement of meals & snacks and vehicle hire/rental to prevent the non-withholding of creditable value-added tax due to the Bureau of Internal Revenue.

F. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

The Institute has unsettled suspension of P0.651 million and disallowance of P0.397 million under Fund 01, unsettled suspension of P0.676 million and charge of P0.450 million in Fund 06 and unsettled suspension of P1.090 million under Fund 05 as of December 31, 2018.

G. STATUS OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of 47 recommendations embodied in the prior years' Annual Audit Report, 19 were fully implemented, 18 were partially implemented and 10 were not implemented.