

EXECUTIVE SUMMARY

A. INTRODUCTION

The Central Luzon State University (CLSU) was established in 1907, which was over the long years has been known as an agriculture-oriented institution; and has become a comprehensive university offering a number of science curricula in addition to its undergraduate, graduate and post graduate courses. It has also a science high school, an elementary laboratory school on the campus and three outreach schools located in Pinili, San Jose City; Palusapis in Muñoz, and Bibiclat in Aliaga, Nueva Ecija.

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

The audit covered the financial transactions and operations of the CLSU for the period January 1 to December 31, 2015. The audit was conducted to (a) ascertain the level of assurance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

B. 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 2015:

Financial Position	2015	2014
Assets	₱1,401,306,436.85	₱1,208,300,869.84
Liabilities	367,511,870.89	206,670,804.76
Net Assets/Equity	1,033,794,565.96	1,001,630,065.08
Results of Operations		
Total Revenue and Net Financial Assistance/ Subsidy	860,867,785.03	887,983,947.44
Total Expenses	822,782,914.07	835,643,837.33
Surplus/(Deficit) for the Period	38,084,870.96	52,340,110.11
Allotments, Obligations and Balances		
Allotments	769,317,434.54	685,489,722.00
Obligations	720,083,277.88	653,017,658.88
Balances	49,234,156.66	32,472,063.12

C. AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements in view of the (a) unreliability of the reported balance of Accounts Receivables account due to (i) an unaccounted variance of ₱722,458.29 between the receivable balances per records of the Accounting Office and the University Business Affairs Program; and (ii) unbooked inter-agency transfers amounting to ₱417,334.27; and (b) understatement of Inventories account by at least ₱6,728,076.20 due to the non-adoption of the perpetual inventory method of accounting of inventories.

For the above errors/deficiencies, we recommended that the Accountant (a) maintain a Subsidiary Ledger for each of the University's lessees, prepare a correct aging schedule; and initiate reconciliation of accounts balances between the Accounting Office and UBAP; and adjust accordingly the University's Due from NGAs and Due from LGUs accounts, maintain subsidiary ledgers for each fund transfer and make use of the same in the monitoring of fund utilization; and (b) use the perpetual inventory method in recording procurements of supplies and inventory.

D. SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Gathered from the audit of operations are the following significant findings for which corresponding recommendations were offered. These include the following:

1. Lack of clear-cut policies and procedures in handling leasehold accounts led to the accumulation of the CLSU's uncollected receivables of ₱5,993,139.83 from its rental, electricity and water concessionaires as of December 31, 2015. (*Observation No. 1*)

We recommended that the President (a) create a team that shall be tasked to (i) formulate a comprehensive accounts receivable policies and procedures for the whole University; and (ii) formulate written guidelines on the imposition of penalties for late/non-payment of accounts; (b) instruct the (i) Director, Commercial and Business Development Office (CBDO) to impose the penalties stipulated in the leasehold agreements; (ii) Vice President for Business Affairs to come-up with a standard leasehold agreement for all leaseholders of the University.

2. For failure of Management to perform its function of selecting the scholars/grantees as mandated under Sections 4 and 11 of CHED Memorandum Order No. 13 resulted in the underutilized fund allocation by as much as ₱4,750,000.00 or 25% of the total funds allocated for Grant-In-Aid "Tulong-Dunong" Program by 11 legislators and a budget over-run of ₱1,584,000.00 equivalent to 18% of the total funds received from one legislator. (*Observation No. 4*)

We recommended that the Acting Dean, Office of Admissions (a) comply with the guidelines in the selection of scholars as provided for in the revised guidelines for the implementation of CHED-StuFAPs contained in CMO No. 13 Series of 2014; and (b)

Coordinate with the concerned offices at the CHED Regional Office No. III, thru its representative from the Office of Admissions, for the clarification of duties and responsibilities of the involved agencies in the implementation of CHED-StuFAPs “Tulong-Dunong” Program.

3. Poor planning and lack of management support led to the failure of Agriculture and Food Technology Business Incubator (AFTBI) to attain its purpose to create jobs and generate income for the entrepreneurs and their employees thus, failed to help alleviate poverty and spur the development in the local communities which led to the wastage and/or speedy deterioration of the AFTBI facilities costing ₱31,300,000.00. Meanwhile, the AFTBI facilities were leased out to a private toll processor in CY 2015, which act was already outside of the Memorandum of Agreement drawn between CLSU and the Philippine Council for Agriculture, Forestry and Natural Resources Research and Development (PCARRD). (*Observation No. 5*)

We recommended that the (a) Director, CBDO revisit the approved AFTBI Business Plan and make sure that its succeeding actions are in agreement with its designed strategic objectives; and (b) Vice-President for Business Affairs convene a body that will (i) assess the viability of AFTBI at its present state, and from there, reformulate action plans to mitigate losses; (ii) review the procurement contracts of the defective equipment to check if the AFTBI can still claim for warranty; (iii) secure the AFTBI facilities from further damages by instituting appropriate measures; (iv) look for alternative use of these facilities without losing sight of the attainment of the Project’s objectives; (v) have the boiler insulation materials checked for possible asbestos contents and apply the necessary precautionary measures; (vi) surrender the unserviceable Boiler to the Property Section for it to be included in the items for disposal; (vii) facilitate the needed repair works to secure the building from pests; (viii) secure the wastewater tanks from mosquitoes; and (ix) seek appropriate authority from the source agency before the AFTBI is leased out.

E. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

The Central Luzon State University has two unsettled Notice of Disallowances (NDs) totaling ₱643,813.11 as of December 31, 2015. Both of these NDs are under appeal with the COA Commission Proper.

F. STATUS OF IMPLEMENTATION OF PRIOR YEAR’S UNIMPLEMENTED AUDIT RECOMMENDATIONS

Out of the 17 audit recommendations contained in 2014 Annual Audit Report, 13 were fully implemented and four were not implemented.