

EXECUTIVE SUMMARY

Introduction

Creation

Romblon State University 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 in the Municipality of Odiongan, Province of Romblon into a state university to be known as the Romblon State University (RSU), hereinafter referred to as the University.

Today, the university has four campuses: the RSU-Odiongan Campus, the Main Campus at Odiongan; the RSU-Romblon Campus at Sawang; RSU-Tablas Campuses at San Andres, Calatrava, San Agustin, Sta. Maria, and Sta. Fe; and RSU-Sibuyan Campuses in Cajidiocan and San Fernando.

Pursuant to RA No. 9721, the University shall primarily provide 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 shall also undertake research and extension services, and provide progressive leadership in its areas of specialization.

Vision

Romblon State University as 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

For Calendar Year (CY) 2015, the Romblon State University generated a total net income of ₱29,883,847.80. The subsidy from the national government amounted to ₱209,684,405.26, which represents 72.50% of the total income. Other major sources of income were tuition and other school fees, services and business income.

The total allotment available during the year amounted to P 289,713,302.29 while the obligations incurred by the University for the year amounted to P272,838,857.88.

Financial Condition

Accounts	CY 2015	CY 2014	Increase/(Decrease)	
			Amount	%
Total Assets	₱318,125,636.29	₱267,302,885.34	₱50,822,750.95	19.01%
Total Liabilities	42,833,766.85	19,170,309.51	23,663,457.34	123.43%
Equity	275,291,869.44	248,132,575.83	27,159,293.61	10.94%

Results of Operations

Accounts	CY 2015	CY 2014	Increase/(Decrease)	
			Amount	%
Income including Subsidy from NGAs	₱289,223,238.07	₱268,705,739.80	₱20,517,498.27	7.63%
Expenses	259,339,390.27	230,579,824.84	28,759,565.43	12.47%
Net Income	29,883,847.80	38,125,914.96	(8,242,067.16)	(21.61)%

Scope of Audit

Financial and Compliance audit was conducted on the accounts and operations of the RSU for the calendar year 2015. It included analysis of accounts in the financial statements, review of transactions and test of compliance with financial rules and regulations to ascertain the validity of financial transactions and the accuracy of financial reports and accounting records in accordance with generally accepted accounting and auditing standards.

The objectives of the audit are to ascertain the fairness and reliability of the agency's financial position and results of operations, and to determine whether the agency's operations were conducted in compliance with applicable laws, rules and regulations.

Audit Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of RSU for the year ended December 31, 2015 because the validity, existence and correctness of the Property, Plant and Equipment and Inventory accounts valued in the books at a net amount of ₱196,483,939.92 and ₱40,706,461.92, respectively, could not be ascertained due to the consistent failure of the University to

conduct physical count on all of its PPE and Inventory items and non-reconciliation of the difference as compared with the Inventory Report amounting to ₱128,476,349.63. Other reasons are the dormant balances in the Construction in Progress account of ₱1,508,505.53 and the non-provision of depreciation allowance for depreciable assets of ₱135,222,131.58, thereby affecting the reliability of the balances presented in the financial statements. Moreover, the accuracy of the balance of the Cash in Bank amounting to ₱60,778,763.82 could not be validated due to the inability of the Accounting Office to update the preparation of Bank Reconciliation Statements. Furthermore, validity of the receivable accounts of ₱499,784.24 could not be ascertained due to lack of supporting documents and records and remain outstanding in the books for several years.

Significant Observations and Recommendations

For the exceptions cited above, the Auditor recommended that the University President create an Inventory Committee to: (a) expedite the conduct or completion of the physical count of all PPE and Inventory items and the submission of the Report on the Physical Count of PPE and Inventory as well as the reconciliation of the noted differences between the Inventory Reports and the property and the accounting records to identify the nature of the discrepancies.

The Auditor also recommended that the:

- Supply Officers of Main and Cajidiocan Campuses submit their Annual Inventory Reports;
- Accountant (a) initiate the proper reclassification of the costs of dormant CIP account to the appropriate asset account; and (b) locate relevant documents in order to provide depreciation for the PPE totaling ₱135,222,131.58;
- Supply Officer maintain updated stock cards to record receipts of deliveries, and issuances summarized in the Report of Supplies and Materials Issued to be submitted to the Accounting Unit for recording; and
- Accountant also (a) maintain Supplies Ledger Cards and ensure that accounting records are reconciled at any given time with the property records; (b) prepare and submit regularly and within the prescribed period the monthly Bank Reconciliation Statements; and (c) exert efforts to locate pertinent documents relative to receivable accounts and send letters to persons concerned and demand full settlement of the accounts with the University.

The following are the other significant audit observations and recommendations requiring immediate remedial actions by management to further improve its operations:

1. The submission of accounts and financial reports were delayed by 14 to 185 days beyond the required period, as provided for under Section 107 of Presidential Decree No. 1445 and Section 6.05 of COA Circular No. 95-006 dated May 18,

1995 thus, prevented the Auditor from performing timely review and evaluation of the Agency's transactions which resulted in delay of post audit of accounts for CY 2015.

We recommended that the University President instruct the Accountant to submit Official Receipts/Disbursement Vouchers/Payrolls and their supporting documents and financial reports within the reglementary period as prescribed by COA rules and regulations in order for the Audit Team to undertake timely review and post-audit of the transactions and accounts and at the same time inform management of defects and/or deficiencies noted in audit.

We also recommended that the University President issue a Memorandum to accountable officers in all RSU campuses enjoining prompt submission of accounts and financial records to the Accountant, otherwise appropriate action should be imposed.

2. Management failed to strictly enforce the guidelines provided under Section 89 of Presidential Decree No. 1445 and COA Circular No. 97-002 dated February 10, 1997 in the granting and liquidation of cash advances within the prescribed period, resulting in the accumulation of unliquidated cash advances totaling ₱16,091,253.01 as at year-end, thereby overstating other assets-advances and understating the related expense accounts.

We recommended that the University President instruct the Accountant to:

- initiate the withholding of salaries of officials and employees with unliquidated advances beyond the prescribed period; and
- issue demand letters for the immediate liquidation of cash advances that are outstanding for over one year.

We also recommended that the University President remind the Accountant to ensure that no additional cash advance shall be granted to those whose previous cash advances are not yet fully liquidated and accounted for in the books.

3. Collections of Cajidiocan and San Fernando Campuses totalling ₱571,047.05 remained undeposited as of year-end in violation of Section 69 of Presidential Decree (PD) No. 1445 and Section 21 of the New Government Accounting System (NGAS) Manual, Volume I, thereby exposing government funds to risk of loss or misappropriation. Also, the monthly Report of Accountability for Accountable Forms (RAAF) were not prepared and submitted by the accountable officer of Cajidiocan Campus, contrary to Section 68 of NGAS Manual, Vol. II.

We recommended that the University President:

- instruct the Accountable/Collecting Officers of the two campuses to deposit immediately all cash balances as of December 31, 2015, and

henceforth ensure that all collections are deposited intact and regularly in accordance with the frequency of deposit prescribed under DBM-DOF Joint Circular No. 1-81 dated January 1, 1981;

- investigate on the reasons why the collections received by the Cajidiocan Campus on the previous year have not yet been deposited and require written explanation from the accountable officer concerned; and
 - require the collecting officer of Cajidiocan Campus to prepare RAAF monthly as required under Section 68 of the NGAS Manual, Volume II.
4. The suppliers/dealers on the seven procurement transactions totaling ₱9,981,797.00, were not required by the University to post the corresponding warranty security, contrary to Section 62 of the Revised Implementing Rules and Regulations (RIRR) of R.A. 9184, thus replacements and/or corrections on manufacturing defects within the prescribed warranty period cannot be guaranteed.

We reiterated our recommendation that the University President instruct the BAC and the Accountant to require the suppliers to post the required warranty security on all deliveries of supplies and equipment in accordance with Section 62.1 of the RIRR of RA 9184 to assure correction of all manufacturing defects, otherwise the Accountant should deduct from the claim an amount equivalent to at least 10% of the total contract cost as a retention money to cover such warranty security.

5. Out of the 100 purchase orders awarded in CY 2015 costing ₱33,048,505.30, 62 or 62% with total cost of ₱26,701,783.50 were not submitted to the Audit Team within five (5) days after perfection thereof, contrary to COA Circular No. 2009-001 dated February 12, 2009, thus, preventing the timely review and rendition of relevant audit results. Moreover, these were not supported with sufficient documentary requirements and were not adequately and properly filled up as to the date, terms and conditions of the purchase hence, may place the University at a disadvantage in case of substandard and late delivery of items purchased.

We recommended that the University President initiate control measures to ensure strict adherence to pertinent COA rules and regulations in the submission of POs/contracts.

We also recommended that the University President instruct the Bids and Awards Committee (BAC) or other officers concerned to ensure:

- submission of copies of government contracts/POs and all the documents forming part thereof within five (5) working days from execution and/or issuance pursuant to COA Circular No. 2009-001 dated February 12, 2009 to ensure timely review and evaluation of the same so that management could also be informed of any defects/deficiencies noted thereon; and

- proper accomplishment of POs so that required information such as the dates and terms and conditions, etc. are correctly and completely filled-up.
6. The University does not recognize income from tuition fees based on the final list of assessment of students nor record them as Accounts Receivable, contrary to the provisions of COA Circular Letter No. 2004-002 dated September 30, 2004, thus, actual revenue generated/earned for the year was not accurately reported and reflected in the Statement of Financial Performance.

We recommended that the University President instruct the Accountant to use the required accrual method of accounting in recording all school fees to reflect the true and correct amount of income generated by the University and adopt a system that will facilitate the computation of the total assessments for all the students as basis in setting up accounts receivable and in monitoring outstanding balances of the students.

7. Out of the total appropriations/allotments for the year of ₱217,635,353.00 only ₱210,621,843.42 or 97% was utilized/obligated, leaving an unexpended/unutilized allotment of 3% or ₱7,013,509.58. Thus, the expected benefits from its utilization were not fully realized to the disadvantage of the student-beneficiaries and the University as a whole.

We recommended that the University President instruct the Bids and Awards Committee (BAC) to re-advertise and re-bid the procurement of laboratory, agricultural and fishery equipment soonest since the benefits owing to the intended beneficiaries have long been overdue.

We also recommended that the BAC observe the same procurement process and set new periods according to the same rules followed during the first bidding. Should there be a second failed bidding, the BAC may resort to appropriate alternative methods of procurement as provided for in Section 48 of the Revised Implementing Rules and Regulations of Republic Act No. 9184.

8. The slot allocation of 466 student-grantees under the Expanded Students' Grants-in-Aid Program for Poverty Alleviation (ESGP-PA) was not met in the 2nd semester of Academic Year (AY) 2015-2016 with only 445 enrolled grantees due to the failure of the University to address problems in its implementation, thereby creating an impact on the purpose of the program. Likewise, the accurateness in the granting of scholarships to poor but deserving students cannot be ascertained due to incomplete submission of documentary requirements prescribed under CHED Memorandum Order No. 13, s. 2014.

We recommended that the University President instruct the Chairperson, PMO-ESGP-PA to:

- strengthen its efforts in providing career guidance and other support services to student-grantees in order to attain the purpose of the program which is to address poverty by increasing the number of graduates in higher education among poor household; and
- realign the breakdown of Administrative and Miscellaneous Cost (AMC) (3% of ESGP-PA Fund) in order to ensure economy and effectiveness in the implementation of the program.

We also recommended that the Chairperson of the Tulong Dunong program implement strictly the guidelines prescribed by the Commission on Higher Education in the selection of the grantees and termination of the grant and require the student applicants to submit the documentary requirements under Item 4.2.A as prescribed in CMO 13, series of 2014 in order to ensure that the scholarship program is granted to poor and deserving students. Moreover, in conformance with the government’s development plans, priorities and vision, applicants shall be directed to enroll in CHED priority courses.

The above audit observations and recommendations were discussed with concerned officials and staff in an exit conference conducted on March 31, 2016. Management’s views and comments were incorporated in the report, where appropriate.

Summary of total Suspensions, Disallowances and Charges

The unsettled audit disallowances of the University as of December 31, 2015 totalled to ₱5,523,779.05, of which the amount of ₱1,819,762.05 was recorded in the books under the Receivables- Disallowances/Charges account.

Status of Implementation of Prior Year’s Audit Recommendations

The status of implementation of prior year’s audit recommendations is shown below and details are presented in Part III of the report.

<u>Status of Implementation</u>	<u>Number</u>	<u>Percentage</u>
Fully Implemented	0	-
Partially Implemented	9	69%
Not Implemented	<u>4</u>	31%
Total	<u>13</u>	