

EXECUTIVE SUMMARY

A. Introduction

The enactment of Presidential Decree No. 1778 dated January 15, 1981 paved the way for the establishment of the Don Mariano Marcos Memorial State University (DMMMSU). It was reorganized in 1993 into three major campuses namely: the North La Union Campus (NLUC) in Bacnotan, La Union; the Mid La Union Campus (MLUC) in San Fernando, and the South La Union Campus (SLUC) in Agoo.

On March 26, 1998, the DMMMSU Open University System (DOUS) was created by Board of Regents (BOR) Resolution No. 98-024. Two national institutes were likewise established by virtue of Republic Act 7359 and Republic Act 9151, the Sericulture Research and Development Institute (SRDI) and the National Apiculture Research, Training and Development Institute (NARTDI), respectively.

The University's mandate was to provide advance instruction in arts, agriculture, fishery, engineering, and natural sciences, as well as in other technological and professional fields to promote research and engage in extension work.

All of the campuses and operating units maintain complete set of books of accounts for each of the different funds held by them, to wit:

Campuses/Operating Units	Funds
Central Office	101, 164
Central Administration (CA)	101, 161, 164, & 184
North La Union Campus (NLUC)	101, 161, 164, & 184
Mid-La Union Campus (MLUC)	101, 161, 164, & 184
South La Union Campus (SLUC)	101, 161, 164, & 184
Sericulture Research and Development Institute (SRDI)	101, 161 & 164
Open University System (DOUS)	101, 164 & 184

The University also manages and operates the DMMMSU Pig Extension and Research Fund (DPERF) at Baroro, Bacnotan, La Union and renders administrative services for Philippine Carabao Center (PCC) Office at Rosario, La Union.

Audit Methodology:

The audit consisted of the review and verification of the University's operating procedures, interview with concerned officials and examining evidences to ascertain the validity of financial transactions and accuracy of financial reports and accounting records in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and adherence to laws, rules and regulations.

B. Financial Highlights

The comparative financial condition, results of operation and sources and utilization of funds of Don Mariano Marcos Memorial State University for the years 2019 and 2018 are shown below:

	2019	2018	Increase (Decrease)
Financial Position			
Assets	2,691,442,809.28	2,493,631,898.01	197,810,911.27
Liabilities	196,754,763.18	221,545,738.11	(24,790,974.93)
Equity	2,494,688,046.10	2,272,086,159.90	222,601,886.20
Results of Operation			
Income	135,672,161.79	165,677,810.72	(30,005,648.93)
Expenses	1,007,002,781.24	959,882,932.21	47,119,849.03
Financial Assistance/Subsidy	1,140,956,793.97	1,019,401,727.77	121,555,066.20
Losses	731,063.00	44,779.86	686,283.14
Surplus (Deficit) for the period	268,895,111.52	225,151,826.42	43,743,285.10
Sources and Utilization of Funds			
<i>Fund 101</i>			
Appropriations/Allotments received	963,814,050.00	916,530,586.00	47,283,464.00
Obligations Incurred	944,559,945.46	880,873,266.10	63,686,679.36
Unexpended Balance	19,254,104.54	35,657,319.90	(16,403,215.36)
<i>Fund 164</i>			
BOR Approved Budget	190,460,643.04	154,005,297.87	36,455,345.17
Obligations Incurred	154,572,522.01	111,229,609.06	43,342,912.95
Unexpended Balance	35,888,121.03	42,775,688.81	(6,887,567.78)

C. Operational Highlights

Hereunder were the targets vis-à-vis accomplishments of Don Mariano Marcos Memorial State University for the Fiscal Year 2019:

MFO /PAP /Performance Indicators	Targets	Actual Accomplishments	% Accomplishments
General Administration And Support			
Performance Indicators			
1. Obligations BUR Ratio	91%	86%	94.5%
2. Disbursements BUR Ratio	91%	89.5%	98.5%
3. Submission of reports	100%	100%	100%
Support to Operations			
1. ISO CERTIFICATION	100%	25%	25.00%
MFO 1-HIGHER EDUCATION SERVICES			
1. Percentage of first-time licensure exam takers	59.05%	64.01%	108%
2. Percentage of graduates that are employed	4.50%	54.50%	1211%
Output Indicators			
1. % of undergraduate students enrolled in CHED-identified and RDC-identified priority programs	92%	86.02%	94%
2. % of undergraduate programs with accreditation	79.00%	79.37%	100%
MFO 2 - ADVANCED EDUCATION SERVICES			
1. Percentage of graduate school faculty engaged in research work applied in any of the following:			
a. Pursuing advanced research degree	15%	31.25%	208%
b. Actively pursuing in the last three (3) years	14%	66.42%	474%

MFO /PAP /Performance Indicators	Targets	Actual Accomplishments	% Accomplishments
c. Producing technologies	10%	31.52%	315%
d. Research work resulted in an ext. program	13%	32.68%	251%
MFO 3 - RESEARCH SERVICES			
1. Number of research outputs utilized	13	13	100%
Output Indicators			
1. Number of research outputs completed	50	54	108%
2. Percentage of research outputs published	26.00%	6.00%	23%
MFO 4 - TECHNICAL ADVISORY EXTENSION SERVICES			
1. Number of active partnership	50	90	180%
Output Indicators			
1. No. of trainees by the length of training	10,100	6,475	64%
2. Number of extension programs	60	147	245%

C. Scope of Audit

A financial and compliance audit was conducted on the accounts and operations of all the campuses and operating units of the Don Mariano Marcos Memorial State University for the year ended December 31, 2019. The audit was focused on the different audit thrusts/areas issued by the Regional Office. Audit results are discussed in detail in Part II of this report.

D. Independent Auditor's Report

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of DMMMSU as of December 31, 2019 due to the following exceptions:

- a. Doubtful existence and accuracy of Property, Plant and Equipment (PPE) particularly the "Land" account which was not fully accounted for with proof of ownership amounting to ₱545,827,767.54, and
- b. Accounts payable amounting to ₱16,674,397.25 pertain to accounts for which the University has no valid and legal obligations yet.

E. Summary of Significant Observations and Recommendations

We are pleased to note the University Management's efforts, especially the Finance Division, in monitoring the settlement of disallowances and suspensions that resulted in the settlement through refunds of the total amount of ₱963,669.55 by the persons held liable for the disallowances.

However, the audit team noted other significant audit observations and recommendations on the accounts and operations of the DMMMSU as follows:

1. The reliability and validity of the "Land" account of the University recorded at ₱545,827,767.54 could not be ascertained due to absence of proofs of ownership and/or possession.

We recommended Management to intensify the means and strategies already adopted in retrieving/recovering/transferring/titling/updating documents pertaining to the University's landholdings, in order to ascertain the reliability and validity of University's claim over those unaccounted area of Land.

2. DMMMSU disbursements amounting to ₱80,888,264.81 were not fully supported with complete, sufficient and relevant documentary requirements as required under Commission on Audit (COA) Circular No. 2012-001 and related laws, rules and regulations.

We recommended that Management submit documentary requirements in conformity with COA Circular 2012-001 and related laws, rules and regulations, in order to ascertain the propriety and validity of the University's expenditure.

3. Past due accounts ranging from over one year to three years and above increased by ₱5,832,328.50 or 20.27% over last year's total of ₱28,769,156.98.

We recommended that Management intensify its collection efforts by sending Demand Letters/Tracers to the last known addresses of those with unsettled accounts to enforce collection in order not to deprive the University from much needed funds to support its operation.

4. The teaching overload formula prescribed under the DMMMSU Faculty Manual 2011 Edition used by the Graduate Studies in computing the honoraria of its professors, was inconsistent with the provision of Chapter 7 of DBM Manual on Position Classification and Compensation, resulting in excess payment of ₱3,889,064.69.

We recommended that Management revisit the formula provided under the DMMMSU Faculty Manual to be aligned/consistent with the provisions of DBM Manual on Position Classification and Compensation, thus, avoiding excessive payments of honoraria for teaching overload.

G. Summary of Total Suspensions, Disallowances and Charges

Disallowances totaling to ₱60,459,432.72 and charges totaling ₱362,945.60, for all funds, remained unsettled as of December 31, 2019.

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

Of the thirty-two (32) audit recommendations contained in CY 2018 Annual Audit Report, ten (10) were fully implemented; fifteen (15) were partially implemented, and seven (7) were not implemented.