

## EXECUTIVE SUMMARY

### A. INTRODUCTION

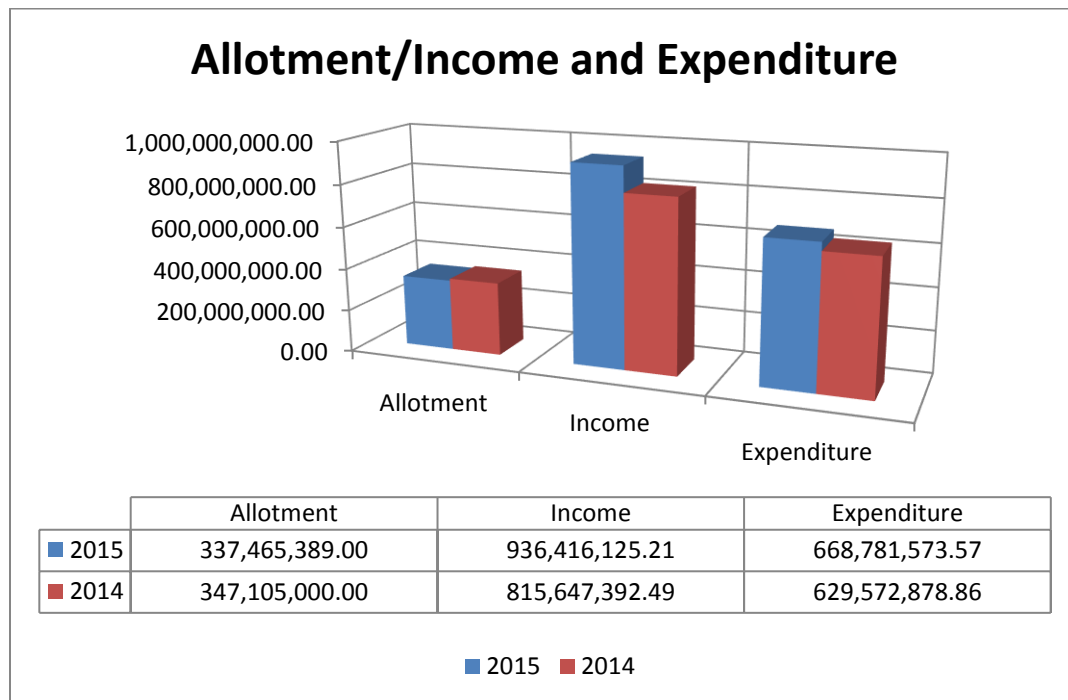
The Bohol Island State University (BISU), formerly known as the Central Visayas State College of Agriculture, Forestry and Technology (CVSCAFT), is composed of the Main Campus which is located in Tagbilaran City and five (5) satellite campuses located in the Municipalities of Balilihan, Bilar, Calape, Candijay and Clarin, all in the Province of Bohol.

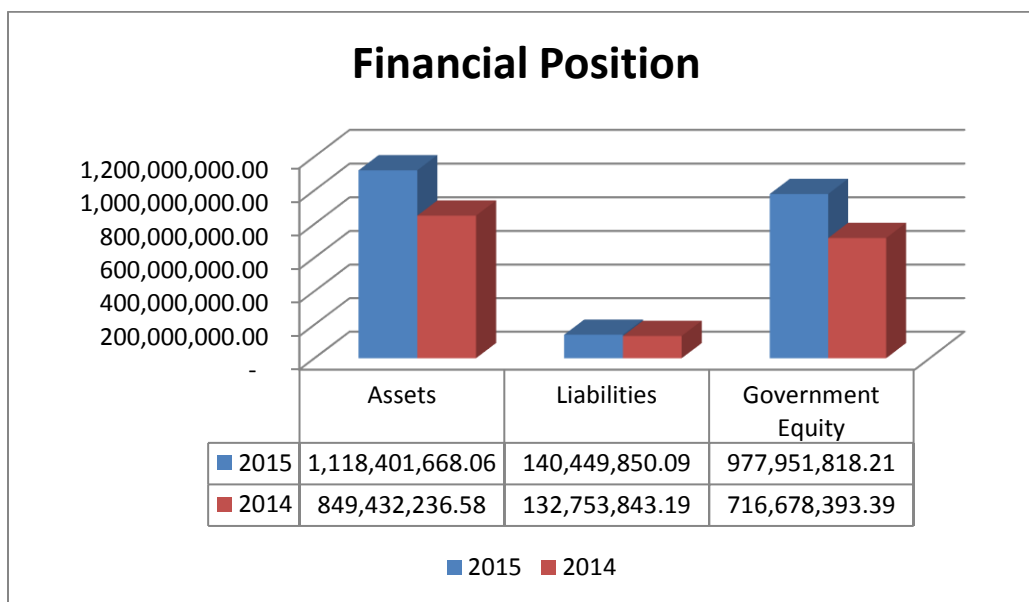
#### Organizational Set-Up

The governing body of the University is vested in the Board of Regents composed of the following: The CHED Commissioner as Chairperson; BISU SUC President, Vice-Chairperson and the Members are: Chairperson of the Committee on Education, Arts and Culture of the Senate; Chairperson of the Committee on Higher and Technical Education of the House of Representatives; NEDA-7, DOST and DA-7 Regional Directors; Presidents of BISU Faculty Association, Alumni Association and Student Supreme Government; and two (2) Private Sector Representatives in the fields of specialization of the university.

### B. FINANCIAL AND OPERATIONAL HIGHLIGHTS

The comparative analysis of the financial profile of the Bohol Island State University for the Calendar Years 2015 and 2014 is presented in graphical form as follows:





The Academic Year 2015 has been a productive year for the Bohol Island State University. In addition to its long list of notable achievements and awards in the past years, BISU has produced board/licensure examination passers with remarkable passing percentages which surpassed the national passing percentage of board examination results in Mechanical Engineering, Electrical Engineering, Architecture, Master Electrician, Bachelor in Elementary Education and Bachelor of Secondary Education. The University has consistently maintained its status as a top performing school in the Philippines in CY 2015. Again, the University's exceptional and commendable performance could be attributed to its highly competent faculty as manifested in doctoral degrees earned and seminars and trainings attended as well as Management's concerted efforts in bringing about quality education through its comprehensive and updated curricular and co-curricular offerings to its student clientele.

### **C. SCOPE OF AUDIT**

The audit was conducted on the accounts and operations of the Bohol Island State University for the calendar year ended December 31, 2015. The audit was aimed at ascertaining the propriety and reliability of the financial transactions, the completeness and adequacy of the books of accounts, the correctness of accounting procedures and the University's compliance with DBM, COA, CHED, GSIS and BIR rules and regulations as well as value for money in the execution of its operations.

### **D. INDEPENDENT AUDITOR'S REPORT**

The Auditor rendered a qualified opinion on the presentation of the financial statements of the Bohol Island State University because of the following conditions as discussed in detail in Part II of this Report:

1. Outstanding cash advances in Bilar, Calape and Candijay Campuses in the aggregate amount of ₱2,496,381.65 remained unliquidated due to the failure of Management to monitor and enforce timely liquidation of cash advances thereby exposing unused cash in the hands of the accountable officers to misappropriation.
2. Stale checks totaling ₱21,720.00 and ₱356,095.89 in Balilihan and Candijay Campus, respectively, remained unadjusted in the books of accounts, thereby resulting in the understatement of the Cash in Bank and Accounts Payable accounts by the same amount.
3. The reliability of the Accounts Receivable account in Clarin Campus as of December 31, 2015 totaling ₱1,513,681.79 could not be ascertained due to the absence of subsidiary records.
4. Loans Receivable on Students Financial Assistance Program (STUFAP) amounting to ₱46,344.00 in Clarin Campus remained uncollected for a long period of time.
5. Construction in Progress-Building and Structure account under General Fund and Special Trust Fund is overstated by ₱2,880,732.30 and ₱77,765.40, respectively due to the failure to transfer/close the costs of completed projects to the appropriate Property, Plant and Equipment (PPE) accounts and improper classification of assets.
6. The accuracy and reliability of Other Payables Account (2-99-99-990) totaling ₱2,056,943.75 as of December 31, 2015 in Candijay Campus could not be ascertained due to the non-reconciliation of Subsidiary Ledger (SL) balances against the General Ledger (GL).
7. Funds received from various government/private agencies for scholarship grants and payment to students for the said scholarship grants in the total amount of ₱5,471,043.20 and ₱7,791,917.60, respectively in Candijay Campus, were erroneously recorded as Income from School Fees and Scholarship Grants/Expenses, respectively, instead of recording them as Trust Liability account resulting in the overstatement of Income from School Fees and Scholarship Grants/Expense accounts.
8. The income from School Fees and Other Income Generating Enterprises (IGEs) totaling ₱16,552,051.04 in Candijay Campus was erroneously recorded to Other Deferred Credits account instead of to appropriate income accounts.

9. Collection of sales on accounts of Income Generating Enterprises in Candijay Campus was credited to Cost of Sales account instead of Other Payables for GF and Accounts Receivable for STF.

Also considered are the following conditions which were enumerated in the CY 2014 Annual Audit Report and which remained unattended as of December 31, 2015:

1. The correctness of the balances of the Inventories and the Property, Plant and Equipment accounts totaling ₱16,332,791.34 and ₱280,146,577.40 respectively could not be established due to the absence of the physical inventory taking for a number of years; b) failure to maintain Supplies and PPE Ledger Cards and c) non-reconciliation of the PPE account balances between the general ledger and the Inventory Report of Properties.
2. The validity of Other Payable Account in the Special Trust Fund amounting to ₱14,688,318.57 is not assured because it was not supported with the list of creditors.
3. Undocumented Accounts Payable of Candijay Campus totaling ₱20,923.25 and ₱97,011.52 in the General Fund and Special Trust Fund respectively for more than two years were not reverted to Government Equity.
4. Refunds totaling ₱200,600.00 arising from an audit disallowance in the Special Trust Fund of the Main Campus were recorded as Accounts Payable. We recommended its recording as prior years' adjustment account but no correction was effected.

## **E. SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

The following are the summary of other significant observations and recommendations in the audit and/or evaluation of the operations of the BISU for CY 2014. The audit observations are fully discussed in Part II of this Report:

1. The payment of registration fees for employees in all campuses attending conventions, seminars, conferences exceeded the allowable cost of participation of government officials and employees of ₱1,200 per day contrary to National Budget Circular (NBC) No. 442 as amended by NBC No. 486 dated March 29, 1995.

We recommend that Management see to it that the Bookkeeper, when processing claims, enforce NBC No. 442 as amended by NBC No. 486 dated March 9, 1995, pegging the registration fees for conventions, seminars, conferences, symposia and similar non-training gatherings sponsored by non-government organizations or private institutions at not more than ₱1,200 per day per participant.

2. Payment of expenditures amounting to ₱25,000.00 for the purchase of fireworks during the students' Acquaintance Party in Tagbilaran City Campus is contrary to the provisions of COA Circular No. 2012-003 and the government's continued adoption of austerity measures as provided under Administrative Order No. 103.

We recommend that Management stop the incurrence of unnecessary expenditures such as fireworks display and those which are not responsive to the austerity measures directed under Administrative Order 103 and in compliance with COA Circular No. 2012-003.

3. Claims for travelling expenses totaling ₱214,600.12 in Clarin Campus were recorded as liquidated and reimbursed even if not supported with complete documents resulting to understatement of Advances for Operating Expenses (1-99-01-010) and Overstatement of Travelling Expenses (5-02-02-010).

We recommend that Management advise the Bookkeeper to record liquidations for travel only upon submission of complete supporting documents. Likewise, we recommend that advances for travel be drawn by the respective official or employee concerned.

4. The significant delays in the completion of various projects of the Campus which range from 31-852 days has deprived its students and other intended users of the essential benefits that could be derived therefrom.

We recommend that Management direct its designated Physical Facilities Officer to closely monitor and vigorously pursue the completion of the projects undertaken by Administration and consider termination of contract aside from the payment of liquidated damages from WTG Construction and Development Corporation so that the facilities could immediately benefit its students and other intended users.

5. Delayed remittance of the taxes withheld in the amount of ₱9,309.45 and ₱136,180.58 as of December 31, 2015 in the General Fund and Special Trust Fund, respectively in Calape Campus, is contrary to Section 69 (1) of P. D. 1445 and the rules and regulations of the National Internal Revenue Code.

We recommend that management immediately remit the taxes withheld to the BIR. Further, we recommend that henceforth, all taxes withheld from various sources be remitted within the reglementary period as provided for under BIR Regulation No. 6-2001 dated July 31, 2001.

6. Collections received by the Cashier in Calape Campus was not deposited promptly and intact to the Authorized Government Depository Bank contrary to Section 69 of P.D. 1445 and Section 21 of the Manual of New Government

Accounting System (NGAS), thus exposing government funds to possible risks of misuse and misappropriation.

We reiterate our previous years' recommendation that Management direct the Cashier to deposit all collections daily and adhere faithfully to the provisions of Section 21, Volume I of the New Government Accounting System (NGAS) Manual, casting away doubts of irregularities, misuse and inefficiency, thus preventing risk of loss of government funds.

7. Cash Advances in excess of the maximum cash accountability of the Cashier/Disbursing Officer in Clarin Campus and Coordinator of Business Affairs in Candijay Campus were granted in violation of Section 101(2) of P.D. 1445 and Treasury Circular No. 02-2009 dated August 06, 2009.

We recommend that Management increase the bond of the Accountable Officer if found insufficient to meet the amounts of cash advance requirements of the campus. Otherwise, stop the granting of cash advances in excess of the prescribed maximum cash accountability.

#### **F. SETTLEMENT OF ACCOUNTS**

Suspensions and disallowances amounting to P12,742,668.44 and P11,500,928.68, respectively, remained unsettled as of December 31, 2015.

#### **G. STATUS OF IMPLEMENTATION BY MANAGEMENT OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the fifty-one (51) audit recommendations embodied in the CY 2014 Annual Audit Report of the Bohol Island State University, nineteen (19) were fully implemented, twenty-two (22) were partially implemented and ten (10) were not implemented. Details are discussed in Part III of this Report.