

## EXECUTIVE SUMMARY

### A. Introduction

The Cagayan State University (CSU) was established on June 11, 1978 by virtue of Presidential Decree No. 1436 issued by President Ferdinand E. Marcos. It is mandated by its charter to provide better services in professional and technical training in the Arts, Sciences, Humanities and Technology.

The University exists with the following Mission, Vision, and Core Values:

#### Vision

“Transforming lives by educating for the best.”

#### Mission

“Cagayan State University is committed to transform the lives of people and communities through high quality instruction and innovative research development, production and extension.”

#### Core Values

Competence : Critical Thinker  
: Creative Problem Solver  
: Competitive Performer: Nationally, Regionally and Globally.

Social Responsibility : Sensitive to Ethical Demands  
: Steward of the Environment for Future Generations  
: Social Justice and Economic Equity Advocate.

Unifying Presence : Uniting Theory and Practice  
: Uniting Strata of Society  
: Unifying the Nation, the ASEAN Region and the world  
: Uniting the University and the community.

The main missions are academic, instruction, research, extension and production. The purposes of the University are to provide advanced education in the Arts and Sciences, professional and technical trainings; to encourage and undertake research; to conduct trainings; extension services; and to encourage the application of knowledge. It is the vision of the University to become a model of Higher Education institution in Region 2. Towards this end, CSU shall pursue an effective, efficient, and responsive administration of instruction, research, extension and production programs.

CSU has eight (8) campuses under its university system, namely: CSU at Carig, Tuguegarao City; CSU at Andrews, Tuguegarao City; CSU at Piat; CSU at Lallo; CSU at Aparri; CSU at Lasam; CSU at Sanchez Mira; and CSU at Gonzaga. In these campuses, the original intent of providing democratized tertiary education in the countryside is felt in the whole region, specifically in Cagayan.

The Board of Regents is the highest policy-making body of the CSU, which is composed of 12 members. The current members of the BOR are as follows:

Chairman : Hon. Lillian A. De Las Llagas  
Commissioner, CHED

Vice-Chairman : Hon. Urdujah A. Tejada  
President, Cagayan State University

Regents : Hon. Francis Joseph G. Escudero  
Chairman, Senate Committee on Education  
Represented by: Ms. Carolina Mamba-Lorenzo

Hon. Ann K. Hofer  
House Committee on Higher and Technical Education  
Represented by: Hon. Randolph S. Ting

Hon. Ferdinand P. Tumaliuan  
OIC-Regional Director, NEDA-RO2

Hon. Sancho A. Mabborang  
Regional Director- DOST-RO2

Hon. Lorenzo M. Caranguian  
OIC-Regional Executive Director, DA-RO2

Hon. Mary Jane T. Umungen  
President, University Faculty Association

Hon. Ar-Jay L. Pando  
President, University Student Government

Hon. Louie S. Sunico  
President, CSU Alumni Federation

Hon. Alejandro A. Pulido, Sr.  
Private Sector Representative

Hon. Rex L. Navarro  
Private Sector Representative

The Executive Officers of the CSU are headed by the University President, who is assisted by three (3) Vice-presidents and a University Secretary, while the Campuses are governed by its Campus Administrators.

As of December 31, 2017, the CSU had a total personnel complement of 1,656, distributed in the following Campuses:

Campus	Permanent	Temporary	Casual	Contractual	Job Order	Total
1. Andrews	248	8	10	251		517
2. Carig	222	21	3	160	26	432
3. Aparri	121	1	1	43		166
4. Gonzaga	70		1	37	12	120
5. Lallo	61	2	1	32		96
6. Lasam	31		1	11		43
7. Piat	76	7	1	52		136
8. Sanchez Mira	75	3	1	42	25	146
Grand total	904	42	19	628	63	1,656

## **B. Operational Highlights**

The University has a total of 23,672 enrollees for the first semester of SY 2017-2018. The total enrollment was lower by 34.72% from that of last year's total enrollment of 36,265 enrollees, which was due to the K-12 program where there was a decline in the enrollment of first year.

The Academic Year 2017 has been a productive year for the Cagayan State University. It conferred different titles and degrees to 6,872 graduates for SY 2016-2017.

The University has produced board/licensure passers with remarkable passing percentages in Medical Technologist, Certified Public Accountants, Civil Engineer, Electrical Engineer, Criminologist, and Respiratory Therapist. The College of Allied Health Sciences has produced four (4) national topnotchers in the Licensure Examinations for Respiratory Therapist, Tops 1,4,7 and 10. Moreover, the College of Allied Health Science has produced 100% passing rate for the Medical Technologist Licensure Examination.

For Research and Development, a total of 48 research papers were published in international and national referred journals/proceedings and completed 124 projects in 2017.

## **C. Financial Highlights**

For CY 2017, the total appropriations of the CSU was P892,743,945.66, consisting of the authorized appropriations under RA No.10924, the General Appropriations Act (GAA) for Fiscal Year 2017, of P704,723,000.00 and continuing appropriations of P46,882,978.66,

out of which, total obligations of P763,077,604.88 were incurred, leaving an unexpended balance of P15,804,382.78 as at year-end, the details of which are presented below:

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
<b>A. Current Year Budget – GAA</b>				
1. Agency Specific Budget	704,723,000.00	595,889,042.00	590,760,377.11	5,128,664.89
2. Automatic Appropriations	39,431,355.00	39,431,355.00	37,296,949.28	2,134,405.72
3. Special Purpose Funds	101,706,612.00	101,706,612.00	97,333,411.12	4,373,200.88
<b>B. Continuing Appropriations</b>				
	46,882,978.66	41,854,978.66	37,686,867.37	4,168,111.29
<b>Total</b>	<b>892,743,945.66</b>	<b>778,881,987.66</b>	<b>763,077,604.88</b>	<b>15,804,382.78</b>

The financial position and performance of the CSU for the CYs 2017 and 2016 are as follows:

Particulars	CY 2017	CY 2016
<b>Financial Condition</b>		
Assets	P1,612,962,108.08	P1,438,128,068.46
Liabilities	190,775,740.13	154,981,809.40
Net Assets/Equity	1,422,186,367.95	1,283,146,259.06
<b>Financial Performance</b>		
Income	991,490,994.74	812,168,760.24
Expenses	830,814,553.12	727,974,893.56
Net Income	160,676,441.62	84,193,866.68

#### **D. Scope of Audit**

The audit covered the review of the accounts and operations of the CSU for the period January 1 to December 31, 2017. The audit was conducted to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions, as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior year's audit recommendations.

#### **E. Auditor's Opinion on the Financial Statements**

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Cagayan State University for the year ended December 31, 2017 due to the deficiencies stated in the Independent Auditor's Report, which are discussed in detail in Part II of this report.

## **F. Significant Findings and Recommendations**

The following are the Audit Team's significant audit observations and recommendations, which were discussed with the concerned Management Officials in an exit conference conducted on March 19, 2018:

1. The accuracy and propriety of Cash-in-Bank, Local Currency Current Account of P344,622,358.43 is doubtful due to non-recording of reconciling items in the books in some campuses, stale checks, and non-preparation of Monthly Bank Reconciliation Statements in other campuses, contrary to Section 44 and Sections 5 and 6 of Chapter 6 and Chapter 21, respectively, of the Government Accounting Manual for NGAs, Volume I.

We recommended that the Campus Accountants:

- a. Prepare Journal Entry Vouchers (JEVs) to recognize the book reconciling items reported in the Bank Reconciliation Statements as of December 31, 2017 and submit copies of such JEV to this Office;
  - b. Coordinate with the concerned bank officials to adjust all reconciling items determined during the preparation of the required Monthly Bank Reconciliation Statements on a timely basis for an accurate and correct Cash in Bank account balance reflected in the books of accounts; and
  - c. Comply strictly to Sections 5 and 6, Chapter 21, Section 44, Chapter 6 of the Government Accounting Manual for NGAs Volume I and Section 74 of PD 1445.
  - d. Prepare and submit the Monthly Bank Reconciliation Statements for all the bank accounts maintained in accordance with the above-cited rules and regulations.
2. Bank deposits, which had been dormant and unutilized for years, amounting to 1,519,390.72 were not reverted to the Bureau of Treasury contrary to Executive Order No. 431 dated May 30, 2005.

We recommended that Management revert the abovementioned bank deposits to the Bureau of Treasury pursuant to the provisions of EO 431, following the procedures enumerated under COA Circular No. 2015-001 dated January 29, 2015. We further recommended Management to investigate and coordinate with the concerned depository bank to determine the composition of the Various Dormant Accounts.

3. Advances to officers and employees amounting to P749,361.55 remained unliquidated, which is contrary to Section 89 of PD 1445 and Item 5.8 of COA Circular No. 97-002 dated February 10, 1997, which affected the reliability of the assets, expenses and government equity accounts.

We recommended that Management require the immediate liquidation of all outstanding cash advances pursuant to Section 89 of PD 1445 and Item 5.8 of COA Circular No. 97-002 dated February 10, 1997.

4. The validity and reliability of the Construction in Progress account amounting to P337,275,251.10 could not be ascertained due to the non-classification of the completed infrastructure projects to the proper asset accounts. Moreover, the ledger balances of the Construction in Progress account in the books of Andrews Campus totaling P50,853,963.33 do not contain the details/composition of the accounts, thus rendering the balance shown in the financial statements unreliable. These are a violation of Section 8.g, Chapter 10 of the Government Accounting Manual for National Government Agencies, Volume I.

We recommended that Management require the accounting and infrastructure offices/units to reconcile the CIP account by identifying the completed and under construction projects and effect promptly the necessary adjustments in the books of accounts in accordance with Section 8.6, Chapter 10 of the GAM for NGAs, Volume 1 for a valid and reliable presentation of balances in the financial statements.

5. Campus Accountants did not remit taxes withheld from employees' compensation and from various suppliers totaling P1,227,264.81, in violation of Joint Circular No. 1-2000A dated July 31, 2001 of the Department of Finance, Department of Budget and Management and the Commission on Audit and Section 5.116(B) of Revenue Regulation 2-98, thus depriving the government of revenue/income for its utilization for the implementation of various programs/projects.

We reiterated our prior year's recommendation that Management advise the Campus Accountants that taxes withheld be remitted on or before the 10<sup>th</sup> day of the month following the month of withholding, except for taxes withheld for the month of December which shall be filed/remitted on or before the 15<sup>th</sup> day of the month of the succeeding year, pursuant to pertinent Revenue Regulations. Furthermore, ensure that penalties due to late remittance shall be borne by responsible officials of the campus and not by the government.

6. Statutory monthly contributions to GSIS, PhilHealth and Pag-IBIG amounting to P1,277,435.66, P251,045.65, and P988,299.57, respectively were not remitted by the University to the concerned agency/corporation, contrary to laws and government rules and regulations.

We recommended that Management require the Accounting Section to analyze the account to determine the cause of the outstanding balances and remit immediately

the contributions found to be unremitted and make necessary adjustments, if warranted.

7. The fund released for two (2) government scholarship programs, under the General Appropriation Act (GAA) of FY 2017, were underutilized partly as a result of lapses in evaluating the University's compliance with the guidelines for said scholarship grants. Deficient targeting of beneficiaries, lack of coordination with oversight offices and untimely implementation of the program further resulted in the underutilization of funds amounting to P799,895.99, which lapsed at year-end.

To improve the implementation of the above mentioned scholarship programs, we recommended that the Management:

- a. Cause the immediate release of the financial assistance due the Tulong Dunong (TD) scholars upon enrolment, by way of application of the said allowance to the total tuition and miscellaneous fees for the semester.
  - b. Require a thorough review of the budget proposal for the TD and ESGP-PA scholarship programs so that the amount that shall be submitted/proposed to the Department of Budget and Management shall be equal/closer to the fund requirements for newly identified and continuing scholars of the year.
  - c. Require strict compliance to the enhanced implementing guidelines for the ESGP-PA scholarship program as set forth in the CHED-DBM-DSWD-DOLE Joint Memorandum Circular No. 01 dated June 23, 2016. In this way, the implementation of the program can be closely monitored, lapses corrected on time and the desired benefits felt/received by the targeted beneficiaries.
8. Fifteen (15) scholarship grantees claimed multiple scholarship grants for the 2<sup>nd</sup> semester of School Year 2016-2017 amounting to P172,000.00, in violation of CHED Memorandum Order No. 13, series of 2014, thus depriving other poor but deserving students the opportunity to avail of the limited slots for scholarship programs.

We recommended that the Scholarship Coordinator ensure that no scholarship grantees will enjoy more than one scholarship or financial assistance program in compliance with the above-cited provision of CHED Memorandum No. 13, series of 2014. We further recommend that a database, showing the scholarship programs availed by the students per semester, be maintained in order to ensure that no student will enjoy more than one scholarship program.

9. Release of stipends to DA-ACEF scholarship grantees at Sanchez Mira Campus was delayed due to late liquidation of previous cash advances and lack of coordination with the scholarship provider, thus depriving beneficiaries of the immediate use of the funds for their educational needs.

We recommended that the DA-ACEF Scholarship Program coordinator submit immediately the liquidation of outstanding cash advances to facilitate the release of funds and stipends to the grantees. Also, coordinate with the scholarship provider regularly to avoid delay in the implementation of the program.

10. Summary of Audit Suspensions, Disallowances and Charges of P3,052,671.53, P107,721,320.80 and P1,077,467.00, respectively remained unsettled as of December 31, 2017. The details by Campus are discussed in Part II of this Report.

**G. Status of Implementations of Prior Year's Audit Recommendations**

Of the seventeen (17) prior year's audit recommendations, five (5) were fully implemented, ten (10) were partially implemented and two (2) were not implemented.