



Republic of the Philippines
COMMISSION ON AUDIT
Autonomous Region in Muslim Mindanao
OFFICE OF THE SUPERVISING AUDITOR
Audit Group H – SUCs, WDs & SAAs
MSU Main Campus, Marawi City



June 20, 2017

MARY JOYCE Z. GUINTO-SALI, Ph.D.
Chancellor
Mindanao State University - Tawi-Tawi College
of Technology and Oceanography
Bongao, Tawi-Tawi

RECEIVED
JUN 28 2017
Jaida A. Alsharif
JAJDA A. ALSHARIF
Acting Chief Accountant

Madame:

We are pleased to transmit the Annual Audit Report on the MSU-Tawi-Tawi College of Technology and Oceanography for the Calendar Year ended December 31, 2016 in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

Our report consists of four parts: Part I – Audited Financial Statements, Part II – Audit Observations and Recommendations, Part III – Status of Implementation of Prior Years' Unimplemented Audit Recommendations, and Part IV – Annexes.

The audit was conducted in accordance with Philippine Public Sector Standards on Auditing and we believe that it provided reasonable basis for our audit opinion.

We rendered an adverse opinion on the fairness of presentation of financial statements as of December 31, 2016 due to the following:

1. Unutilized Notice of Cash Allocation (NCAs) for CY 2016 and prior years totaling ₱ 84,040,990.88 were not reverted to the Bureau of Treasury contrary to DBM Circular Letter No. 2013-12, DBM NBC No. 561 and Section 186 of GAAM, Volume 1, resulting in unreliable balances of Cash in Bank-Local Currency, Current Account (LCCA) as of year-end.
2. Cash Advances for travel of ₱ 12,488,341.45 and for payment of other compensation and time-bound activities of ₱ 20,648,026.55 remained unliquidated at

year-end resulting in the understatement of the total expenses and overstatement of assets.

3. The Agency failed to conduct physical inventory of its Office Supplies Inventory and Property, Plant and Equipment as of year-end with book value of ₱ 9,135,517.63 and ₱ 232,990,531.53, respectively. The inadequacy of its records did not permit us to apply adequate alternative procedures to determine the validity, propriety and existence of these accounts which constitute 57.26% of the total assets of the Agency.
4. It also failed to provide depreciation on its Property, Plant PEs with acquisition cost of ₱ 270,345,395.32, hence, assets and net income for the year were overstated by about ₱ 18,603,011.27.

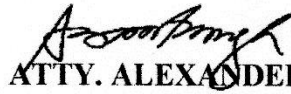
And we recommend the following measures:

1. Require the Accountant to determine the actual unutilized NCA balances as of December 31, 2016; direct the Accountant to remit the remaining unutilized NCA to the Bureau of Treasury; and comply with the provisions of DBM CL No. 2013-12 and DBM NBC No. 561 to present a reliable Cash in Bank balance.
2. The Chancellor should refrain from approving Travel Order when notice is received from the Accountant that previous travel was not yet liquidated; enforce withholding of salary of non-compliant personnel; and the Office of the Accountant should maintain up-to-date individual subsidiary ledgers for Due from Officers and Employees.
3. Demand from the concerned accountable officers the immediate liquidation of the cash advances and direct the College Cashier to withhold the salaries of the concerned accountable officers who failed to liquidate their obligations within thirty (30) upon receipt of the demand letter.
4. Conduct periodic physical inventory of its property, plant and equipment and supplies and a report thereon be immediately prepared and submitted to the Auditor not later than January 31 of each year. Items that are beyond economic repair shall be properly disposed and dropped from the books. The Property and Supplies Office/Unit should maintain Property Cards.
5. Direct the Accountant and the Property and Supply Officer to exert effort to secure the documents necessary to reconstruct the PPE accounts so that depreciation for the current and previous years maybe computed to arrive at the correct valuation of the property, plant and equipment. In case the necessary data could no longer be secured after exhausting all possible means, we recommend that appraisal of the PPEs be considered in order to establish the correct book values.

We request that the recommended remedial measures be immediately implemented and we will appreciate being informed of the action(s) taken thereon by submitting the duly accomplished *Agency Action Plan and Status of Implementation (AAPSI)* form hereto attached, within 60 days from receipt of this report.

We acknowledge the assistance and cooperation extended to the Audit Team by the Agency officials and employees.

Very truly yours,


ATTY. ALEXANDER B. MITMUG, CPA
State Auditor IV
OIC- Supervising Auditor

- Cc: 1. *The President, Republic of the Philippines*
2. *The Vice-President, Republic of the Philippines*
3. *The Senate President, Senate of the Philippines*
4. *The Speaker, House of Representatives*
5. *The Chairperson, Senate Finance Committee*
6. *The Chairperson, Appropriations Committee*
7. *The Secretary, Department of the Budget and Management*
8. *Governance Commission for GOCC*
9. *Presidential Management Staff, Office of the President*
10. *National Library (soft copy)*
11. *University of the Philippines (UP) Law Center (soft copy)*
12. *COA Commission Central Library (soft copy)*

**AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 20XX
As of _____

[illegible]

Name and Position of Agency Officer

Date _____

Note: Status of Implementation may either be (a) Fully implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed



Republic of the Philippines
COMMISSION ON AUDIT
Autonomous Region in Muslim Mindanao
OFFICE OF THE AUDIT TEAM LEADER
Audit Team 04, AG-H
MSU-TCTO, Bongao, Tawi-Tawi



June 09, 2017

ATTY. ALEXANDER B. MITMUG, CPA

State Auditor IV

OIC-Supervising Auditor

Audit Group H – SUCs, WDs and SAAs

MSU Main Campus, Marawi City

Sir:

In compliance with Section 2, Article IX-D of the Philippines Constitution and pertinent sections of Presidential Decree No. 1445, we conducted a financial and compliance audit on the accounts and operations of the Mindanao State University-Tawi-Tawi College of Technology and Oceanography, Bongao, Tawi-Tawi for the Calendar Year ended December 31, 2016.

The audit was conducted to ascertain the propriety of financial transactions and compliance of the agency with prescribed rules and regulations. It was also made to ascertain the accuracy of the financial records and reports, as well as the fairness of the presentation of the financial statements.

The audit was conducted in accordance with Philippine Public Sector Standards on Auditing and we believe that it provided reasonable basis for our audit opinion.

We rendered an adverse opinion on the fairness of presentation of financial statements as of December 31, 2016, for reasons as stated in the Independent Auditor's Report.

Very truly yours,


MAUREEN D. AMIL, CPA
State Auditor III
OIC-Audit Team Leader