



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

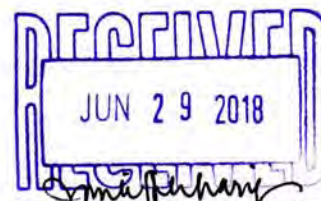


June 22, 2018

**MARY JOYCE Z. GUINTO-SALI, Ph.D.**

Chancellor

Mindanao State University - Tawi-Tawi College  
of Technology and Oceanography  
Bongao, Tawi-Tawi



*Jaida A. Alsharif*  
**JAIDA 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, 2017 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, 2017 due to the following:

1. Unutilized Notice of Cash Allocations (NCAs) for CY 2017 and prior years were not reverted to the Bureau of Treasury but instead were transferred to the Cash in Bank – Local Currency Current Account, resulting to accumulation of idle funds.
2. Cash Advances for travel of ₱ 10,917,428.23 and for payment of regular compensation, other compensation and time-bound activities of ₱ 28,889,878.31 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 ₱ 30,657,794.93 and ₱ 332,559,933.66, 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 68.33 % of the total assets of the Agency.

The other Findings and Observations are:

1. Buildings and other school properties of the College were not insured with the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS) exposing these properties to risk of not being indemnified for any damage or loss due to any fortuitous event such as fire, earthquake, typhoon and/or flood.
2. The transaction documents/reports and financial statements were not submitted on or before the prescribed deadline due to lack of supervision and monitoring of accounting and cashiering personnel by concerned officers, hindering the conduct of audit and consequently, casting doubt on the validity and propriety of the financial transactions and accounting reports.

The audit findings and observations together with the recommendations were discussed by the Audit Team with concerned management officials and are presented in detail in Part II of the report.

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)*

[Name of the Agency and Address]

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

As of \_\_\_\_\_

[illegible]

Agency sign-off:

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 15, 2018

**ATTY. ALEXANDER B. MITMUG, CPA**

State Auditor IV

OIC-Supervising Auditor

Audit Group H – SUCs, WDs and SAAs

MSU Main Campus, Marawi City

S i r:

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, 2017.

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, 2017, for reasons as stated in the Independent Auditor's Report.

Very truly yours,

A handwritten signature in black ink, appearing to read "Maureen D. Amil".

**MAUREEN D. AMIL, CPA**

State Auditor III

OIC-Audit Team Leader



**Republic of the Philippines**  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City

## **ANNUAL AUDIT REPORT**

**ON THE**

**MINDANAO STATE UNIVERSITY**  
**Tawi-Tawi College of Technology and Oceanography**  
**Bongao, Tawi-Tawi**

***For the Year Ended December 31, 2017***

## **EXECUTIVE SUMMARY**

### **1) INTRODUCTION**

#### **a. Audited Agency**

The Mindanao State University- Tawi-Tawi College of Technology and Oceanography (MSU-TCTO) was formally established under Republic Act No. 6060, as amended, on August 4, 1969 in southern Sulu and it was known as the MSU-Sulu College of Technology and Oceanography and started its operation as an integral unit of the Mindanao State University. With the creation of the Province of Tawi-Tawi, the name was changed to MSU-Tawi-Tawi College of Technology and Oceanography on March 16, 1982, under Batas Pambansa Blg. 197.

Its primary mandate is to extend to the Muslims and other cultural minority groups the opportunities of college education and develop such other programs as well promote Muslim welfare and hasten the economic development of the southernmost region of the Philippines.

MSU-TCTO is comprised of the following academic units: the Graduate School, College of Fisheries, Institute of Environmental and Oceanography Studies, Institute of Information and Communications Technology, College of Islamic and Arabic Studies, College of Education, College of Arts and Sciences, Eastern Extension (Ungus Matata), Western Extension (Sibutu), Northern Extension (Mapun), Senior High School, Preparatory High School, Science High School, Secondary Education Department (Community High Schools), Child Development Center-Laboratory Elementary School (CDC-LES) and Childhood Integrated Learning Development School (CHILDS).

The governance of the MSU-TCTO is vested upon the Board of Regents, which exercises policy-making functions to carry out the mission and programs of the College by Virtue of RA 8292, the Higher Education Modernization Act of 1997.

The College is administered by Chancellor Mary Joyce Z. Guinto-Sali, Ph.D. She is assisted by four Vice Chancellors namely: Prof. Benecito L. Maratas (Academic Affairs), Mr. Sawadjaan U. Jaji (Administration and Finance), Prof. Aida J. Hadji (Research and Extension) and Prof. Abdurizal A. Eldani (Planning and Development).

#### **b. Audit Methodology**

The audit was conducted in accordance with applicable legal and regulatory requirements, and the Philippine Public Sector Standards on Auditing. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.

c. Scope of Audit

The audit covered the accounts and operations of the MSU-TCTO for the Calendar Year 2017. It was aimed at ascertaining the propriety of financial transactions, Management's compliance to prescribed rules and regulations and the fairness of presentation of the financial statements.

**2.a) FINANCIAL HIGHLIGHTS**

**Comparative Financial Position and Financial Performance**

Particulars	CY 2017	CY 2016	Increase/ (Decrease)	%
				Increase (Decrease)
Assets	531,567,969.12	422,883,940.27	108,684,028.85	25.70
Liabilities	66,926,498.48	89,209,620.83	(22,283,122.35)	(24.98)
Equity	464,641,470.64	333,674,319.44	130,967,151.20	39.25
Income & Subsidies	661,615,897.69	427,968,787.40	233,647,110.29	54.59
Expenses	486,347,920.99	359,237,571.93	127,110,349.06	35.38
Surplus	175,267,976.70	68,731,215.47	106,536,761.23	155.00

**2.b) OPERATIONAL HIGHLIGHTS**

**Performance in Licensure Examinations**

Name of Licensure Examination	2017			2016		
	Takers	Passers	Passing Rate	Takers	Passers	Passing Rate
Licensure Examinations for Teachers						
Elementary	106	19	17.92%	429	47	10.96%
Secondary	119	64	53.78%	265	10	3.77%
Fisheries Technologist Licensure Examinations	9	3	33.33%	9	5	55.56%



## Graduate and Enrolment Profile

Academic Program Level	Graduates		Enrollment			
	AY 2015-2016	AY 2016-2017	2nd Sem 2015-2016	1st Sem 2016-2017	2nd Sem 2016-2017	1st Sem 2017-2018
Masteral	17	31	90	125	133	164
Baccalaureate	348	340	2,521	1,987	2,203	2,092
Senior High					571	572
Secondary	1,080	1,001	5,203	4,905	4,900	5,115
Primary	87	99	598	589	589	623
Kindergarten	118	99	458	434	99	122
<b>Grand total</b>	<b>1,650</b>	<b>1,570</b>	<b>8,870</b>	<b>8,040</b>	<b>8,495</b>	<b>8,688</b>

### 3) AUDIT OPINION ON THE FINANCIAL STATEMENTS

The Auditor rendered an adverse opinion on the fairness of presentation of the financial statements due to the material effects of the noted deficiencies on some of the accounts, as discussed in detail in Part II of the report.

### 4) SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. Unutilized Notice of Cash Allocations (NCAs) for CY 2017 and prior years were not reverted to the Bureau of Treasury but instead were transferred to the Cash in Bank – Local Currency Current Account contrary to DBM Circular Letter No. 2013-12, resulting to accumulation of idle funds.

*We recommend that Management shall:*

- a. *Stop the practice of transferring funds to the ATM Payroll account for transactions without valid expenditures;*
  - b. *Require the Accountant to determine the actual unutilized NCA balances as of December 31, 2017; and*
  - c. *Direct the Accountant to remit the unutilized NCA to the Bureau of Treasury.*
2. Management's laxity in the enforcement of Section 16 of Executive Order No. 248, as amended, and its implementing rules and regulations provided in COA Circular No. 97-002 on cash advances granted for travel, resulted in the accumulation of unliquidated cash advances of ₱ 10,917,428.23, thus sizeable amount of current operating expenses are unrecorded.

*We recommend the following measures:*

- a. *The Chancellor should refrain from approving Travel Order when notice is received from the Accountant that previous travel was not yet liquidated.*
  - b. *Enforce withholding of salary of non-compliant personnel.*
  - c. *The Office of the Accountant should maintain up-to-date individual subsidiary ledgers for Due from Officers and Employees. This will facilitate monitoring of cash advances.*
  - d. *Send within ten (10) days before the expiration of the 30- or 60-days period specified under Section 16, of Executive Order No. 248, as amended, a written reminder under signature of the head of the agency or his duly authorized representative, enjoining the official or employee concerned to liquidate his travel cash advance. This is to preclude complaints arising from suspension of salaries due to non-liquidation of travel advances.*
3. Cash advances granted to regular and special disbursing officers of ₱ 28,889,878.31 for the payment of regular compensation, other compensation and time-bound activities were allowed to remain not liquidated at the end of the year contrary to the provisions of Section 89 of PD 1445 and COA Circular No. 97-002 thus, expenses for personal services and other operating expenses for the year were not recorded. And this resulted in the overstatement of the net income. Further, it exposed the funds to the risk of misuse and loss.

*Recommendations:*

- *Demand from the concerned accountable officers the immediate liquidation of the cash advances.*
  - *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.*
  - *Initiate the filing of administrative charges against erring DOs and SDOs.*
4. The College failed to conduct physical inventory and to submit the inventory report in Calendar Year 2017 as required under Section 122(1) of PD No. 1445, Sections 4, 38 and 42 (d,e,g), Chapter 10 of GAM for NGAs, Volume I, thus the validity, existence and correctness of the Inventories and Property, Plant and Equipment accounts with book value of ₱ 30,657,794.93 and ₱ 332,559,933.66, respectively, could not be ascertained affecting the fair presentation of the accounts in the financial statements.

*We reiterate our recommendation for the Agency to 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. Buildings and other school properties of the College were not insured with the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS) despite the mandatory requirement as provided in COA Circular No. 92-390 dated November 11, 1992 thus, exposing these properties to risk of not being indemnified for any damage or loss due to any fortuitous event such as fire, earthquake, typhoon and/or flood.

*We recommend that the College adhere to the provisions of COA Circular No. 92-390 dated November 17, 1992.*

6. The transaction documents/reports and financial statements were not submitted on or before the prescribed deadline contrary to Section 7.2.1 (a) of COA Circular No. 2009-006 and Sections 59 and 60, Chapter 19 of the Government Accounting Manual (GAM) for NGAs, Volume I, due to lack of supervision and monitoring of accounting and cashiering personnel by concerned officers, hindering the conduct of audit and consequently, casting doubt on the validity and propriety of the financial transactions and accounting reports.

*We recommend that the Office of the Director of Finance:*

- a) conduct planning, target setting and prepare commitment reports particularly on the timelines on the submission of transaction documents/reports and financial statements provided in Section 7.2.1 (a) of COA Circular 2009-006 and Sections 59 and 60, Chapter 19, of GAM for NGAs, Volume I and other reports required by COA, DBM and other regulatory bodies;*
- b) review and evaluate the performance of the accounting and cashiering personnel; and recommend replacement for those found undesirable with qualified personnel with the right work attitude; and*
- c) conduct periodic monitoring of submission of required reports to COA, DBM and other regulatory bodies and see to it that all the required reports are submitted on time.*

## **5) SUMMARY OF SUSPENSIONS, DISALLOWANCES AND CHARGES**

The balances as of January 03, 2018 are as follows:

Notice of Suspension	P	0.00
Notice of Disallowances		0.00
Notice of Charges		0.00

## **6) STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Of the thirteen audit recommendations contained in Prior Years' Annual Audit Report two were implemented, another two were partially implemented and nine remained unimplemented, five of which are reiterated in this Report as they affect the fair presentation of the financial statements.

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**PART I**

**AUDITED FINANCIAL STATEMENTS**



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue  
Quezon City

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Mindanao State University – Tawi-Tawi College of Technology and Oceanography which comprise the Statement of Position as at December 31, 2017, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with state accounting principles generally accepted in the Philippines, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Public Sector Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Bases for Adverse Opinion*

- Unutilized Notice of Cash Allocations (NCAs) for CY 2017 and prior years were not reverted to the Bureau of Treasury but instead were transferred to the Cash in Bank – Local Currency Current Account, resulting to accumulation of idle funds.
- Cash Advances for travel of ₱ 10,917,428.23 and for payment of regular compensation, other compensation and time-bound activities of ₱ 28,889,878.31 remained unliquidated at year-end resulting in the understatement of the total expenses and overstatement of assets.
- 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 ₱ 30,657,794.93 and ₱ 332,559,933.66, 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 68.33 % of the total assets of the Agency.

*Adverse Opinion*

In our opinion, due to the material effects of the deficiencies cited in the preceding paragraph, the financial statements referred to above do not present fairly the financial position of the Mindanao State University-Tawi-Tawi College of Technology and Oceanography as at December 31, 2017, and its financial performance and cash flows for the year then ended.

**COMMISSION ON AUDIT**

By:



**MAUREEN D. AMIL, CPA**

State Auditor III

OIC-Audit Team Leader

April 30, 2018





Mindanao State University-			
Tawi-Tawi College of Technology and Oceanography			
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>(All Funds)</b>			
As at December 31, 2017			
	<b>Note</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	100,295,413.95	102,146,648.07
Receivables	6	13,619,111.17	13,619,111.17
Inventories	7	30,657,794.93	9,380,945.63
Other Current Assets	8	54,098,681.33	64,746,703.87
<b>Total Current Assets</b>		<b>198,671,001.38</b>	<b>189,893,408.74</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	9	332,559,933.66	232,990,531.53
Other Non-Current Assets		336,100.00	0.00
<b>Total Non-Current Assets</b>		<b>332,896,033.66</b>	<b>232,990,531.53</b>
<b>TOTAL ASSETS</b>		<b>531,567,035.04</b>	<b>422,883,940.27</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	10	58,141,218.29	81,810,797.32
Inter-Agency Payables	11	4,838,490.58	3,905,777.30
<b>Total Current Liabilities</b>		<b>62,979,708.87</b>	<b>85,716,574.62</b>
<b>Non-Current Liabilities</b>			
Deferred Credits	12	737,521.85	737,521.85
Other Payables	13	3,209,267.76	2,755,524.36
<b>Total Non-Current Liabilities</b>		<b>3,946,789.61</b>	<b>3,493,046.21</b>
<b>TOTAL LIABILITIES</b>		<b>66,926,498.48</b>	<b>89,209,620.83</b>
<b>NET ASSETS/EQUITY</b>			
<b>Government Equity</b>			
Accumulated Surplus		464,640,536.56	333,674,319.44
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>531,567,035.04</b>	<b>422,883,940.27</b>
<i>This statement should be read in conjunction with the accompanying notes.</i>			

[illegible]

Mindanao State University-				
Tawi-Tawi College of Technology and Oceanography				
<b>STATEMENT OF CASH FLOWS</b>				
<b>(All Funds)</b>				
For the Year Ended December 31, 2017				
			<b>2017</b>	<b>2016</b>
<b>Cash Flows from Operating Activities:</b>				
<b>Cash Inflows:</b>				
	Receipt of Notice of Cash Allocation		604,985,221.75	391,250,990.00
	Collection of Income/Revenues		15,457,300.87	7,100,973.44
	Receipts of Inter-Agency Cash Transfer		8,665,000.00	5,932,483.87
	<b>Total Cash Inflows</b>		<b>629,107,522.62</b>	<b>404,284,447.31</b>
<b>Cash Outflows:</b>				
	Payment of Operating Expenses		187,467,560.13	171,849,734.82
	Purchase of Inventories		21,246,383.50	
	Payment of Accounts Payable		139,168,827.51	14,566,131.18
	Grant of Cash Advances		90,324,022.19	89,023,463.64
	Remittance of Personnel Benefit Contributions and Mandatory Deductions		66,947,342.85	68,399,341.06
	Reversion of Unused NCA		934.08	152,293.73
	<b>Total Cash Outflows</b>		<b>505,155,070.26</b>	<b>343,990,964.43</b>
	<b>Cash Provided by operating Activities</b>		<b>123,952,452.36</b>	<b>60,293,482.88</b>
<b>Cash Flows from Investing Activities:</b>				
<b>Cash Inflows:</b>			-	-
<b>Cash Outflows:</b>				
	Purchase/Construction of Property, Plant and Equipment		125,803,686.48	13,048,524.25
	<b>Total Cash Outflows</b>		<b>125,803,686.48</b>	<b>13,048,524.25</b>
	<b>Cash Provided by Investing Activities</b>		<b>(125,803,686.48)</b>	<b>(13,048,524.25)</b>
	<b>Cash Provided by Operating and Investing Activities</b>		<b>(1,851,234.12)</b>	<b>47,244,958.63</b>
	Add: Beginning Balance, January 1		102,146,648.07	54,901,689.44
	<b>Cash End, December 31</b>		<b>100,295,413.95</b>	<b>102,146,648.07</b>
<i>This statement should be read in conjunction with the accompanying notes.</i>				

Mindanao State University-				
Tawi-Tawi College of Technology and Oceanography				
<b>STATEMENT OF CHANGES IN NET ASSETS/EQUITY</b>				
For the Year Ended December 31, 2017				
			<b>2017</b>	<b>2016</b>
<b>Balance at January 1</b>			<b>333,674,319.44</b>	<b>278,419,512.16</b>
Add/(Deduct): Adjustment to Government Equity, Beginning				
	Prior period errors		6,000.00	
<b>Restated Balance</b>			<b>333,680,319.44</b>	<b>278,419,512.16</b>
Add/(Deduct): Changes in Net Assets/Equity for the Calendar Year				
	Adjustment of net revenue recognized directly in net assets/equity			(13,476,408.19)
	Surplus/(Deficit) for the period		175,267,976.70	68,731,215.47
	Others			
	Prior Period Adjustments		(44,307,759.58)	-
<b>Balance at December 31</b>			<b>464,640,536.56</b>	<b>333,674,319.44</b>
<i>This statement should be read in conjunction with the accompanying notes.</i>				

Mindanao State University –  
Tawi-Tawi College of Technology and Oceanography  
**NOTES TO FINANCIAL STATEMENT**  
For the year ended December 31, 2017

**Note 1. General Information/Agency Profile**

- The Mindanao State University – Tawi-Tawi College of Technology and Oceanography was established in Southern Sulu under Republic Act No. 6060 on August 4, 1969 as the Sulu College of Technology and Oceanography and as integral unit of Mindanao State University. On March 16, 1982, under Batas Pambansa Blg. 197, the name of Sulu College of Technology and Oceanography was changed into Tawi-Tawi College of Technology and Oceanography with the creation of the Province of Tawi-Tawi.
- As mandated by Republic Act No. 6060, the College shall extend to the Muslims and other cultural minority groups the opportunity of college education and develop such other programs as will promote Muslim welfare and hasten the economic development of the southernmost region of the Philippines. In keeping with this mandate, the College shall develop academic programs for effective exploitation and conservation of the fisheries resources in the Sulu Sea and nearby waters, undertake researches in fish processing and culture, and in oceanography for increased understanding of the country's territorial waters, and adopt other programs and projects as may be necessary to promote the social and economic development of the people. As a leading institution of learning committed to community – centered sustainable development, the College shall develop distinctive competencies, organizational capacities and individual capabilities in order to become a center of excellence in Fisheries, Marine Sciences and Engineering, and Oceanography. It shall also help develop Tawi-Tawi into becoming a haven of peace and prosperity.
- Governance of the College is vested upon the Board of Regents (BOR), which exercises policy-making functions to carry out the mission and programs of the College by virtue of RA 8292. It is administered by a Chancellor who is assisted by four (4) Vice-Chancellors: 1) for Academic Affairs 2) for Administration and Finance 3) for Research and Extension and 4) for Planning and Development.

**Note 2. Statement of Compliance and Basis of Preparation of Financial Statements**

The financial statements have been prepared in accordance with and comply with the Philippine Public Sector Accounting Standards (PPSAS) issued by the Commission on Audit per COA Resolution No. 2014-003 dated January 24, 2014.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

**Note 3. Summary of Significant Accounting Policies:**

**3.1 Basis of accounting**

The financial statements are prepared on an accrual basis in accordance with the Philippine Public Sector Accounting Standards (PPSAS).

**3.2 Financial instruments**

**a. Financial assets**

*Initial recognition and measurement*

Financial assets within the scope of PPSAS 29-Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. The MSU-TCTO determines the classification of its financial assets at initial recognition.

The MSU-TCTO's financial assets include: cash and short-term deposits; and trade and other receivables.

**b. Financial liabilities**

*Initial recognition and measurement*

Financial liabilities within the scope of PPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The MSU-TCTO determines the classification of its financial liabilities at initial recognition.

The MSU-TCTO's financial liabilities include trade and other payables.

**3.3 Cash and Cash Equivalents**

Cash and cash equivalents comprise of cash on hand and cash in bank and deposits on call. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### **3.4 Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the MSU-TCTO.

### **3.5 Property, Plant and Equipment**

#### ***Recognition***

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

#### ***Measurement at Recognition***

An item recognized as property, plant, and equipment is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction its cost is its fair value as at recognition date.



Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- expenditure that is directly attributable to the acquisition of the items; and
- initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

### ***Measurement After Recognition***

After recognition, all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

When significant parts of property, plant and equipment are required to be replaced at intervals, the MSU-TCTO recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

### ***Depreciation***

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

### ***Initial Recognition of Depreciation***

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

### ***Depreciation Method***

The straight-line method of depreciation is adopted unless another method is more appropriate for agency operation.

### ***Estimated Useful Life***

The MSU-TCTO uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA.

It uses a residual value equivalent to at least five percent (5%) of the cost of the PPE.

### ***Impairment***

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable service amount.

### ***De-recognition***

The MSU-TCTO derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

## **3.6 Petty Cash Fund**

Petty Cash Fund (PCF) account is maintained under the Imprest System of Accounting. All replenishment is directly charged to the expense account.

## **3.7 Changes in accounting policies and estimates**

The MSU-TCTO recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

It recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

The MSU-TCTO corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

### **3.8 Revenue from non-exchange transactions**

#### ***Recognition of Revenue from Non-Exchange Transactions***

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

#### ***Measurement of Revenue from Non-Exchange Transactions***

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

#### ***Fees and fines not related to taxes***

The MSU-TCTO recognizes revenues from fees and fines, except those related to taxes, when earned and the asset recognition criteria were met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

Other non-exchange revenues were recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

#### ***Gifts and Donations***

The MSU-TCTO recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured

at their fair value as at the date of acquisition, which are ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value is ascertained by reference to quoted prices in an active and liquid market.

### ***Services in-Kind***

Services in-kind are not recognized as asset and revenue considering the complexity of the determination and recognition of asset and revenue and the eventual recognition of expenses.

## **3.9 Revenue from Exchange transactions**

### ***Measurement of Revenue***

Revenue is measured at the fair value of the consideration received or receivable.

### ***Rendering of Services***

The MSU-TCTO recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred were recoverable.

## **3.10 Employee benefits**

The employees of MSU-TCTO are members of the Government Service Insurance System (GSIS) which provides life and retirement insurance coverage.

The MSU-TCTO recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

It recognizes expenses for accumulating compensated absences when these are paid (commuted or paid as terminal leave benefits). Unused entitlements that has accumulated at the reporting date are not recognized as expense. Non-accumulating compensated absences, like special leave privileges, are not recognized.

#### **Note 4. Changes in Accounting Policies**

The MSU-TCTO adopted the Revised Chart of Accounts for National Government Agencies to conform with the Philippine Public Sector Accounting Standards (PPSAS) pursuant to COA Circular No. 2014-003 dated April 15, 2014. This accounting change had no significant impact on its financial statements.

#### **Note 5. Cash and Cash Equivalents**

<b>Account Title</b>	<b>2017</b>	<b>2016</b>
<b>Cash on Hand</b>		
Cash-Collecting Officers	-	75,503.56
Petty Cash	25,000.00	25,000.00
<b>Total Cash on Hand</b>	<b>25,000.00</b>	<b>100,503.56</b>
<b>Cash in Bank-Local Currency</b>		
Cash in Bank -Local Currency, Current Account	100,270,413.95	102,046,144.51
<b>Total Cash in Bank-Local Currency</b>	<b>100,270,413.95</b>	<b>102,046,144.51</b>
<b>Total Cash and Cash Equivalents</b>	<b><u>100,295,413.95</u></b>	<b><u>102,146,648.07</u></b>

Cash – Collecting Officers consists of un-deposited collections from tuition fees, matriculation fees, rental fees and other income.

The Petty Cash Fund was established for petty operating expenses of the Office of the Chancellor.

Cash in Bank – Local Currency, Current Account is composed of the deposit of collections from tuition fees, matriculation fees, rental fees and other income treated as special trust fund consistent with RA No. 8292.

#### **Note 6. Receivables**

<b>Account Title</b>	<b>2017</b>	<b>2016</b>
<b>Loans and Receivable Accounts</b>		
Accounts Receivable	<u>636,874.80</u>	<u>636,874.80</u>
<b>Inter-Agency Receivables</b>		
Due from NGAs	<u>2,176,500.00</u>	<u>2,176,500.00</u>

<b>Other Receivables</b>	<b><u>10,805,736.37</u></b>	<b><u>10,805,736.37</u></b>
Receivables - Disallowance/Charges	516,325.37	516,325.37
Other Receivables	10,289,411.00	10,289,411.00
<b><i>Total Loans and Receivable Accounts</i></b>	<b><u>13,619,111.17</u></b>	<b><u>13,619,111.17</u></b>

Accounts Receivable consists of uncollected tuition and other fees from the students.

Due from NGAs consists of the unliquidated inter-agency cash transfers.

Receivables - Disallowance/Charges represents collectibles from various employees/recipients resulting from audit disallowances in 1985. The management will be writing a request for write off of the dormant account.

Other receivables represent amount erroneously booked up as due from various claimants resulting from audit suspension in 1985 for lack of some supporting requirements. Request for write off will be made.

#### **Note 7. Inventories**

<b>Account Title</b>	<b>2017</b>	<b>2016</b>
<b>Inventory Held for Consumption</b>		
Office Supplies Inventory	9,135,517.63	9,135,517.63
Accountable Forms, Plates and Stickers Inventory	150,000.00	150,000.00
Textbooks and Instructional Materials Inventory	95,428.00	95,428.00
<b>Total Inventory Held for Consumption</b>	<b>9,380,945.63</b>	<b>9,380,945.63</b>
<b>Semi -Expendable Machinery and Equipment</b>		
Office Supplies Inventory	<b>12,950.00</b>	-
<b>Semi -Expendable Furniture, Fixtures and Books</b>		
Semi -Expendable Furniture and Fixtures	7,499,500.00	
Semi -Expendable Books	13,764,399.30	
<b>Total Semi -Expendable Furniture, Fixtures and Books</b>	<b>21,263,899.30</b>	-
<b><i>Total Inventories</i></b>	<b><u>30,657,794.93</u></b>	<b><u>9,380,945.63</u></b>

**Note 8. Other Current Assets**

Account Title	2017	2016
<b>Advances</b>		
Advances for Operating Expenses	6,792,218.27	
Advances for Payroll	7,827,499.42	15,909,882.96
Advances to Special Disbursing Officers	14,270,160.62	20,648,026.55
Advances to Officers and Employees	10,917,428.23	12,488,341.45
<b>Total Advances</b>	<b>39,807,306.54</b>	<b>49,046,250.96</b>
<b>Prepayments</b>		
Advances to Contractors	14,291,374.79	15,700,452.91
<b>Total Other Current Assets</b>	<b>54,098,681.33</b>	<b>64,746,703.87</b>

**Note 9. Property, Plant and Equipment**

PARTICULARS	Acquisition Cost	Accumulated Depreciation	Accumulated Impairment Losses	Book Value
<b>Land</b>	<b>16,994,835.50</b>	<b>0.00</b>	<b>0.00</b>	<b>16,994,835.50</b>
<b>Infrastructure Assets</b>	<b>1,416,955.78</b>	<b>0.00</b>	<b>0.00</b>	<b>1,416,955.78</b>
Power Supply Systems	1,416,955.78	0.00		1,416,955.78
<b>Buildings and Other Structures</b>	<b>233,244,562.69</b>	<b>67,963,595.50</b>	<b>0.00</b>	<b>165,280,967.19</b>
School Buildings	227,492,485.58	67,655,284.27		159,837,201.31
Other Structures	5,752,077.11	308,311.23		5,443,765.88
<b>Machinery and Equipment</b>	<b>82,788,645.67</b>	<b>13,247,609.42</b>	<b>0.00</b>	<b>69,541,036.25</b>
Machinery	7,181,494.30	1,512,132.12		5,669,362.18
Office Equipment	18,840,815.42	1,070,860.01		17,769,955.41
Information and Communication Technology Equipment	14,848,678.19	1,044,231.23		13,804,446.96
Marine and Fishery Equipment	3,552,446.86	2,054,274.96		1,498,171.90
Communication Equipment	356,421.05	219,848.55		136,572.50
Firefighting Equipment and Accessories	802,000.00	702,000.00		100,000.00
Military, Police and Security Equipment	57,100.00	51,961.00		5,139.00
Medical Equipment	333,465.00	3,334.65		330,130.35
Sports Equipment	1,511,784.50	712,556.50		799,228.00
Technical and Scientific Equipment	31,272,218.71	4,034,218.70		27,238,000.01
Other Machinery and Equipment	4,032,221.64	1,842,191.70		2,190,029.94

<b>Transportation Equipment</b>	<b><u>18,104,518.45</u></b>	<b><u>10,424,196.69</u></b>	<b><u>0.00</u></b>	<b><u>7,680,321.76</u></b>
Motor Vehicles	11,717,357.55	4,958,091.73		6,759,265.82
Watercrafts	5,714,741.90	4,854,214.92		860,526.98
Other Transportation Equipment	672,419.00	611,890.04		60,528.96
<b>Furniture, Fixtures and Books</b>	<b><u>22,790,498.94</u></b>	<b><u>6,129,516.05</u></b>	<b><u>0.00</u></b>	<b><u>16,660,982.89</u></b>
Furniture and Fixtures	14,387,224.50	5,970,462.44		8,416,762.06
Books	8,403,274.44	159,053.61		8,244,220.83
<b>Leased Assets</b>	<b><u>4,128,961.32</u></b>	<b><u>55,780.37</u></b>	<b><u>0.00</u></b>	<b><u>4,073,180.95</u></b>
Leased Assets, Machinery and Equipment	4,128,961.32	55,780.37		4,073,180.95
<b>Construction in Progress</b>	<b><u>50,384,628.69</u></b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>	<b><u>50,384,628.69</u></b>
Construction in Progress- Buildings & Other Structure	50,384,628.69	0.00		50,384,628.69
<b>Other Property, Plant &amp; Equipment</b>	<b><u>5,177,536.50</u></b>	<b><u>4,650,511.85</u></b>	<b><u>0.00</u></b>	<b><u>527,024.65</u></b>
Other Property, Plant & Equipment	5,177,536.50	4,650,511.85		527,024.65
<b>TOTAL</b>	<b><u>435,031,143.54</u></b>	<b><u>102,471,209.88</u></b>	<b><u>0.00</u></b>	<b><u>332,559,933.66</u></b>

Land is composed of an area at Pasiagan, Bongao, Tawi-Tawi which is used as demonstration fishpond, and areas at Sanga-Sanga Main Campus, Bongao Campus, 20 Community High Schools throughout the Province, and in Mandaluyong City.

School Buildings include all the buildings in the two campuses of the College and the 20 Community High Schools.

Furniture and Fixtures consists of all furniture and fixtures in all the campuses of the College including those in Mandaluyong City.

Library Books consists of purely books per inventory report received by the accounting office. Practically almost all existing books have already reached their estimated useful life. Adjustment will be made and will cost them at 10% scrap value.

Watercrafts consist of RPL, fishing boat trawl, palakaya and other fishing crafts acquired by the College.

Sports Equipment, Motor Vehicles, Communication Equipment and other equipment have been accumulated through the years for the operation to carry out various activities of the school.

The existence and condition of all these PPEs are uncertain pending the conduct of physical inventory and the subsequent submission of the Inventory Report on PPEs.



**Note 10. Financial Liabilities**

This consist of:

<b>Account Title</b>	<b>2017</b>	<b>2016</b>
<b>Payables</b>		
Accounts Payable	4,019,304.65	17,460,746.49
Due to Officers and Employees	54,121,913.64	64,350,050.83
<b>Total Payables</b>	<b><u>58,141,218.29</u></b>	<b><u>81,810,797.32</u></b>

**Note 11. Inter-Agency Payable**

<b>Account Title</b>	<b>2017</b>	<b>2016</b>
Due to BIR	2,658,570.07	553,578.90
Due to GSIS	(42,499.39)	252,038.72
Due to Pag-IBIG	(184,729.23)	37,104.90
Due to PhilHealth	898,526.59	688,136.54
Due to NGAs	1,508,622.54	2,374,918.24
<b>Total Inter-Agency Payables</b>	<b><u>4,838,490.58</u></b>	<b><u>3,905,777.30</u></b>

Due to GSIS, Due to Pag-IBIG, and Due to PhilHealth represent the government shares and personal contributions of employees due from DBM-NCR as a result of adjustment from amount withheld from the agency's allotment.

Due to NGAs pertains to the balance of fund transfers made by various national government agencies to the College for implementation of project on research and other special projects and scholarship grants.

**Note 12. Deferred Credits**

This pertains to Other Deferred Credits with balances of :

<b>2017</b>	<b>2016</b>
<b><u>737,521.85</u></b>	<b><u>737,521.85</u></b>

**Note 13. Other Payables**

Other Payables consist of various loan deductions including previous years' insurance premiums deductions due to private companies/external creditors. The balance is:

2017	2016
<u>3,209,267.76</u>	<u>2,755,524.36</u>

**Note 14. Service and Business Income**

Account Title	2017	2016
<b>Service Income</b>		
Permit Fees	39,005.00	8,550.00
Registration Fees	142,065.00	198,335.00
Clearance and Certification Fees		60,535.00
Other Service Income		1,425,826.00
<b><i>Total Service Income</i></b>	<b><u>181,070.00</u></b>	<b><u>1,693,246.00</u></b>
<b>Business Income</b>		
School Fees	14,664,793.87	2,680,258.50
Rent/Lease Income	792,507.00	328,490.00
Other Business Income	0.00	2,361,238.94
<b><i>Total Business Income</i></b>	<b><u>15,457,300.87</u></b>	<b><u>5,369,987.44</u></b>
<b><i>Total Service and Business Income</i></b>	<b><u>15,638,370.87</u></b>	<b><u>7,063,233.44</u></b>

**Note 15. Personnel Services**

Account Title	2017	2016
<b>Salaries and Wages</b>		
Salaries and Wages - Regular	224,332,186.25	212,505,494.93
Salaries and Wages - Casual/Contractual	29,948,810.89	12,036,154.18
<b><i>Total Salaries and Wages</i></b>	<b><u>254,280,997.14</u></b>	<b><u>224,541,649.11</u></b>
<b>Other Compensation</b>		
Personal Economic Relief Allowance (PERA)	18,598,000.00	18,470,000.00
Representation Allowance (RA)	4,192,727.25	1,979,600.00
Transportation Allowance (TA)	4,231,875.63	1,978,100.00
Clothing/Uniform Allowance	3,782,187.00	3,865,000.00
Subsistence Allowance	101,366.18	154,080.00
Laundry Allowance	35,310.00	
Productivity Incentive Allowance		4,480,550.00
Honoraria	6,035,366.88	2,088,845.62
Overtime and Night Pay	2,303,898.72	460,527.44
Year-end Bonus	19,911,516.75	18,448,191.50

Cash Gift	3,907,000.00	2,639,500.00
Other Bonuses and Allowances		2,413,000.00
<b>Total Other Compensation</b>	<b><u>63,099,248.41</u></b>	<b><u>56,977,394.56</u></b>
<b>Personnel Benefit Contributions</b>		
Retirement and Life Insurance Premiums	27,676,487.85	25,047,730.93
Pag-IBIG Contributions	850,400.00	922,650.00
PhilHealth Contributions	2,588,151.30	2,270,350.00
Employees Compensation Insurance Premiums	306,785.31	616,522.54
<b>Total Personnel Benefit Contributions</b>	<b><u>31,421,824.46</u></b>	<b><u>28,857,253.47</u></b>
<b>Other Personnel Benefits</b>		
Terminal Leave Benefits	59,113,923.72	17,476,488.77
Other Personnel Benefits	6,077,000.00	
<b>Total Other Personnel Benefits</b>	<b><u>65,190,923.72</u></b>	<b><u>17,476,488.77</u></b>
<b>Total Personnel Services</b>	<b><u>413,992,993.73</u></b>	<b><u>327,852,785.91</u></b>

**Note 16. Maintenance and Other Operating Expenses**

<b>Account Title</b>	<b>2017</b>	<b>2016</b>
<b>Traveling Expenses</b>		
Traveling Expenses - Foreign	808,325.34	0.00
Traveling Expenses - Local	9,076,037.10	7,539,133.88
<b>Total Travelling Expenses</b>	<b><u>9,884,362.44</u></b>	<b><u>7,539,133.88</u></b>
<b>Training and Scholarship Expenses</b>		
Scholarship Expenses	19,756,938.28	8,104,493.00
Training Expenses	6,196,911.15	1,233,873.28
<b>Total Training and Scholarship Expenses</b>	<b><u>25,953,849.43</u></b>	<b><u>9,338,366.28</u></b>
<b>Supplies and Material Expenses</b>		
Office Supplies Expenses	976,578.25	1,068,265.75
Accountable Forms Expenses		113,800.00
Food Supplies Expenses	1,635,295.28	1,308,488.75
Drugs and Medicine Expenses	72,260.00	435,877.00
Fuel, Oil and Lubricants Expenses	509,979.97	666,077.40
Agricultural and Marines Supplies Expenses	720,290.61	534,653.50
Semi -Expendable Machinery and Equipment Expenses	3,898.00	
Other Supplies and Materials Expenses	2,378,633.48	1,165,015.61
<b>Total Supplies and Materials Expenses</b>	<b><u>6,296,935.59</u></b>	<b><u>5,292,178.01</u></b>

<b>Utility Expenses</b>		
Water Expenses	1,977,409.53	1,811,869.45
Electricity Expenses	3,353,061.01	2,192,363.94
<b><i>Total Utility Expenses</i></b>	<b><u>5,330,470.54</u></b>	<b><u>4,004,233.39</u></b>
<b>Communication Expenses</b>		
Postage and Courier Expense	9,715.00	
Telephone Expenses	64,886.63	32,199.00
Internet Subscription Expenses	792,394.99	888,176.64
Cable, Satellite, Telegraph and Radio Expenses	22,650.00	8,800.00
<b><i>Total Communication Expenses</i></b>	<b><u>889,646.62</u></b>	<b><u>929,175.64</u></b>
<b>Awards/ Rewards and Prizes</b>		
Awards/ Rewards Expenses	1,259,387.00	250,000.00
Indemnities	3,000.00	
<b><i>Total Awards/ Rewards and Prizes</i></b>	<b><u>1,262,387.00</u></b>	<b><u>250,000.00</u></b>
<b>Confidential, Intelligence and Extraordinary Expenses</b>		
<i>Extraordinary and Miscellaneous Expenses</i>	<b><u>375,029.28</u></b>	<b><u>182,966.24</u></b>
<b>Professional Fees</b>		
<i>Legal Services</i>	1,200.00	
<i>Consultancy Services</i>	220,800.00	123,499.99
<i>Other Professional Services</i>	79,000.00	15,900.00
<b><i>Total Professional Fees</i></b>	<b><u>301,000.00</u></b>	<b><u>139,399.99</u></b>
<b>General Services</b>		
Environment/Sanitary Services	30,000.00	45,000.00
Security Services	15,000.00	180,000.00
<b><i>Total General Services</i></b>	<b><u>45,000.00</u></b>	<b><u>225,000.00</u></b>
<b>Repairs and Maintenance</b>		
Repairs and Maintenance-Buildings & Other Structures	4,560,608.25	1,321,854.00
Repairs and Maintenance - Machinery & Equipment	137,062.00	82,590.00
Repairs and Maintenance - Transportation Equipment	79,502.00	103,567.98
Repairs and Maintenance-Furniture and Fixtures	51,500.00	34,439.00
Repairs and Maintenance - Other PPE	6,795.00	0.00
<b><i>Total Repairs and Maintenance</i></b>	<b><u>4,835,467.25</u></b>	<b><u>1,542,450.98</u></b>
<b>Taxes, Insurance Premiums and Other Fees</b>		
Taxes, Duties and Licenses	4,774.06	
Fidelity Bond Premiums	157,500.00	142,500.00
Insurance Expenses	4,133.11	
<b><i>Total Taxes, Insurance Premiums and Other Fees</i></b>	<b><u>166,407.17</u></b>	<b><u>142,500.00</u></b>

<b>Other Maintenance and Operating Expenses</b>		
Advertising Expenses	5,000.00	12,500.00
Printing and Publication Expenses		1,000.00
Representation Expenses	0.00	20,585.78
Transportation and Delivery Expenses	195,760.62	33,099.00
Rent/Lease Expenses	369,191.00	183,300.00
Membership Dues & Contribution to Organization	90,000.00	124,500.00
Subscription Expenses	346,984.90	364,362.00
Other Maintenance and Operating Expenses	4,483,305.60	1,039,374.83
<b><i>Total Other Maintenance and Operating Expenses</i></b>	<b><u>5,490,242.12</u></b>	<b><u>1,778,721.61</u></b>
<b><i>Total Maintenance and Other Operating Expenses</i></b>	<b><u>60,830,797.44</u></b>	<b><u>31,364,126.02</u></b>

**Note 17. Non-cash expenses**

<b>Account Title</b>	<b>2017</b>	<b>2016</b>
<b>Depreciation Expenses</b>		
Depreciation-Buildings and Other Structures	4,061,594.26	0.00
Depreciation-Machinery and Equipment	6,233,503.70	0.00
Depreciation-Transportation Equipment	387,423.34	0.00
Depreciation-Furniture, Fixtures and Books	459,950.16	0.00
Depreciation-Leased Assets	55,780.37	0.00
Depreciation-Other Property, Plant and Equipment	316,572.10	0.00
<b><i>Total Depreciation Expenses</i></b>	<b><u>11,514,823.93</u></b>	<b><u>0.00</u></b>

**Note 18. Financial Assistance/Subsidy**

<b>Account Title</b>	<b>2017</b>	<b>2016</b>
Subsidy from National Government	646,165,859.82	414,973,070.09
Subsidy from Other Funds	0.00	5,932,483.87
<b><i>Total Financial Assistance and Subsidy</i></b>	<b><u>646,165,859.82</u></b>	<b><u>420,905,553.96</u></b>

For this year, the College received from the Department of Budget and Management Notice of Cash Allocations (NCAs) of ₱ 604,985,221.75.

## **PART II**

# **AUDIT OBSERVATIONS AND RECOMMENDATIONS**

## DETAILED AUDIT OBSERVATIONS AND RECOMMENDATIONS

### Financial and Compliance

#### Unutilized NCA not reverted to Bureau of Treasury

1. ***Unutilized Notice of Cash Allocations (NCAs) for CY 2017 and prior years were not reverted to the Bureau of Treasury but instead were transferred to the Cash in Bank – Local Currency Current Account contrary to DBM Circular Letter No. 2013-12, resulting to accumulation of idle funds.***

Records show that as at December 31, 2017, the Cash in Bank-Local Currency, Current Account of Fund 01 (Regular Agency Fund) of MSU-TCTO amounted to ₱ 76,022,482.07. The account pertains to the balance of the ATM Current Account maintained with the Land Bank Bongao Branch which was opened purposely to serve as a holding account for salaries and emoluments of employees pending credit to their individual ATM accounts. However, it was used as a parking account for unused NCAs to avoid lapsing. Instead of reverting the unused NCAs to the Bureau of Treasury, fund transfers were made from the regular MDS account to the ATM current account thru the issuance of checks payable to the bank account.

The fund transfers were not supported with the required documents specifically the payroll register or list of employees indicating their net pay, which should be the basis for crediting of amounts to individual accounts of the employees, and the Obligation Request and Status (ORS), belying the necessity and lawfulness of the transactions. As these are invalid disbursements with no valid claimants to speak of, the fund transfers resulted to accumulation of idle/unutilized funds.

This practice, which is believed to have started in Calendar Year 2012, is contrary to Section 4 of DBM Circular Letter No. 2013-12 which provides that:

*“Starting January 1, 2014, all NCAs for crediting to Regular MDS sub-accounts for any month, whether part of the comprehensive releases or constituting additional NCA releases, shall be valid until the last working day of the 3rd month of that quarter. NCAs released during the quarter, e.g., February and March, shall be valid up to March 31, etc.”*

Section 6 of the same Circular also provides that:

*“It is understood that all NCA balances at the end of each quarter are considered lapsed after the last working hour of said quarters.”*

***We recommend that Management shall:***

- a. Stop the practice of transferring funds to the ATM Payroll account for transactions without valid expenditures;***
- b. Require the Accountant to determine the actual unutilized NCA balances as of December 31, 2017; and***
- c. Direct the Accountant to remit the unutilized NCA to the Bureau of Treasury.***

**Accumulation of unliquidated cash advances for travel**

- 2. Management's laxity in the enforcement of Section 16 of Executive Order No. 248, as amended, and its implementing rules and regulations provided in COA Circular No. 97-002 on cash advances granted for travel, resulted in the accumulation of un-liquidated cash advances of ₱ 10,917,428.23, thus sizeable amount of current operating expenses are unrecorded.***

This is a reiteration of the CY 2013 to CY 2016 audit observation on the non-settlement of cash advances for travel as of year-end, as required under Section 16 of Executive Order No. 248, as amended, and its implementing rules and regulations provided in COA Circular No. 97-002.

The balance of Advances to Officers and Employees which consist of unliquidated advances for travel as of year-end is ₱ 10,917,428.23. Of the total amount, ₱ 7,292,331.01 are cash advances granted in prior years, the earliest of which is in CY 2006, thus liquidation is long overdue. The amount of ₱ 3,294,367.46 pertains to cash advances granted during the year, the liquidation of which has likewise lapsed.

The details and aging of the accounts are shown in the table below:

Age of Cash Advance	# of Instances	Unliquidated Amount
> 10 years and beyond	19	348,580.24
> 5 years but less than 10 years	115	1,707,272.50
> 2 years ut less than 5 years	140	2,267,065.60
> 1 year but less than 2 years	73	1,429,786.96
Unreconciled amount of GL vs SL		1,539,625.71
61-365 days	91	1,761,757.18
31-60 days	50	1,532,610.28
< 30 days	13	330,729.76
<b>TOTAL</b>	<b>501</b>	<b>10,917,428.23</b>



Although the year-end balance is lower by ₱ 1,570,913.22 compared to the balance as at December 31, 2016 of ₱ 12,488,341.45, it is still huge and is reflective of the laxity of management in enforcing the rules and regulations on cash advances.

Section 16 of Executive Order No. 248 dated May 29, 1985, as amended by Order No. 298 dated March 23, 2004, provides:

*“Within sixty (60) days after his return to the Philippines, in the case of official travel abroad, or within thirty (30) days of his return to his permanent official station in the case of official travel, every official or employees shall render an account of the cash advance received by him in accordance with existing applicable rules and regulations and/ or such rules and regulations as may be promulgated by the Commission on Audit for the purpose. xxx. Payment of the salary of any official or employee who fails to comply with the provisions of this Section shall be suspended until he complies therewith.”*

In addition, Section 4.1.2 of COA Circular No. 97-002 dated February 10, 1997 provides:

*“No additional cash advances shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.”*

The accumulation of cash advances to officers and employees especially those which are not accounted within 30 days after the return to permanent station may be attributed to:

- Continuous approval of travel order by the Chancellor despite receipt of notice from the Accountant that previous travel was not yet liquidated;
- Non-enforcement of withholding of salary for non-liquidation of cash advances; and
- Lack of monitoring of cash advances for travel by the Office of the Accountant.

The practice of not promptly liquidating cash advances led to difficulties in complying with the documentary requirements due to misplaced or missing boarding passes, itinerary tickets, official receipts, and other travel documents.

Because of Management laxity in the enforcement of these rules and regulations, sizeable amount of travelling expenses was not recorded understating the total expenses and overstating the net income for the year.

*We recommend the following measures:*

- a. The Chancellor should refrain from approving Travel Order when notice is received from the Accountant that previous travel was not yet liquidated;*
- b. Enforce withholding of salary of non-compliant personnel;*
- c. The Office of the Accountant should maintain up-to-date individual subsidiary ledgers for Due from Officers and Employees. This will facilitate monitoring of cash advances.*
- d. Send within ten (10) days before the expiration of the 30- or 60-days period specified under Section 16, of Executive Order No. 248, as amended, a written reminder under signature of the head of the agency or his duly authorized representative, enjoining the official or employee concerned to liquidate his travel cash advance. This is to preclude complaints arising from suspension of salaries due to non-liquidation of travel advances.*

**Unliquidated cash advances granted to regular and special disbursing officers**

- 3. Cash advances granted to regular and special disbursing officers of ₱28,889,878.31 for the payment of regular compensation, other compensation and time-bound activities were allowed to remain not liquidated at the end of the year contrary to the provisions of Section 89 of PD 1445 and COA Circular No. 97-002 thus, expenses for personal services and other operating expenses for the year were not recorded. And this resulted in the overstatement of the net income. Further, it exposed the funds to the risk of misuse and loss.*

Section 89 of PD 1445 sets the limit for the grant of cash advance, as follows:

*“xxx No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.”*

COA Circular No. 97-002 dated February 10, 1997 provides for the rules and regulations on the grant, utilization and liquidation of cash advances as follows:

*Section 4.1.3 A cash advance shall be reported on as soon as the purpose for which it was given has been served.*

*Section 5.7 – When cash advance is no longer needed or has not been used for a period of two (2) months, it must be returned to or refunded immediately to the collecting officer.*

*Section 5.8 – All cash advances shall be fully liquidated at the end of each year. Except for the petty cash fund, the Accountable Officer (AO) shall refund any unexpended balance to the Cashier/Collecting Officer who will issue the necessary official receipt.*

*Section 5.9 – At the start of the ensuing year, a new cash advance may be granted, provided that a list of expenses against the previous cash advance is submitted. However, when no liquidation of the previous cash advance is received on or before January 20, the Accountant shall cause the withholding of the AO's salary.*

Further, Section 8 of the same circular provides that, it shall be the responsibility of the Head of the Agency to ensure that proper granting, utilization and liquidation of all cash advances are in accordance with these rules and regulations.

A review of the financial report disclosed that the unsettled cash advances of Disbursing Officers and Special Disbursing Officers as at December 31, 2017 is ₱ 28,889,878.31. The account is equal to 5.43 % of the total assets.

Had these cash advances been liquidated immediately, proper accounting of expenses and accurate determination of assets could have been undertaken. In addition, the non-liquidation of these cash advances within the timeframe prescribed under COA Circular No.97-002 exposed government funds to possible misuse or loss.

***Recommendations:***

- ***Demand from the concerned accountable officers the immediate liquidation of the cash advances.***
- ***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.***
- ***Initiate the filing of administrative charges against erring DOs and SDOs.***

**Management Comment:**

***One regular DO had been relieved from his functions.***

**Failure to conduct physical inventory of Inventories and PPEs**

4. ***The College failed to conduct physical inventory and to submit the inventory report in Calendar Year 2017 as required under Section 122(1) of PD No. 1445, Sections***

***4, 38 and 42 (d,e,g), Chapter 10 of GAM for NGAs, Volume I, thus the validity, existence and correctness of the Inventories and Property, Plant and Equipment accounts with book value of ₱ 30,657,794.93 and ₱ 332,559,933.66, respectively, could not be ascertained affecting the fair presentation of the accounts in the financial statements.***

Section 122 (1) of PD No. 1445 states:

*“Submission of reports. Whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative or personnel officers, and other responsible officials of the various agencies to submit trial balances, physical inventory reports, current plantilla of personnel, and such other reports as may be necessary for the exercise of its functions.”(underscoring ours)*

Section 38, Chapter 10 of GAM for NGAs, Volume I, relative to Section 22 of PD No. 1445, also states that:

*“The entity shall have a periodic physical count of PPE, which shall be done annually and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) (Appendix 73 of GAM for NGAs, Vol. II) as at December 31 of each year. This shall be submitted to the Auditor concerned not later than January 31 of the following year...”*

Likewise, Section 42, Chapter 10 of GAM for NGAs, Vol. I states that:

*“The Chief Accountant shall maintain the PPELC for each category of PPE including work and other animals, livestock etc. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain PC for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. . .*

*The following are the forms/reports necessary to account for PPE:. . .*

*d. Property Card (Appendix 69) – this card shall be used by the Supply and/or Property Division/Unit to record the description, acquisition, transfer, disposal, and other information about the PPE. It shall be kept for each class of PPE.*

*e. Property, Plant and Equipment Ledger Card (Appendix 70) – this card shall be used for each class of PPE to record the acquisition, description, custody, estimated life, depreciation, impairment, disposal, transfer/ adjustment, repair history and other information about the property. It shall be kept and maintained by the Accounting Office/Unit.*

*g. Report on the Physical Count of Property, Plant and Equipment (Appendix 73) – this form shall be used to report the physical count and condition of PPE by type as at a given date, including those which are unrecorded and those which could not be accounted for. It shows the balance of PPE per property cards and per count and the shortage/overage, if any. It shall be rendered by the Inventory Committee, on its yearly physical count of properties owned by the entity. . .”*

Section 4, Chapter 10, of the same manual provides that *“The capitalization threshold of P15,000 represents the minimum cost of an individual asset recognized as a PPE on the Statement of Financial Position.”*

Also, Section 10, Chapter 8, Volume I of GAM for NGAs defines and discusses the accounting policies on *“Semi-expendable Property as follows:*

*“Tangible items below the capitalization threshold of P15,000 shall be accounted as semi-expendable property. The following policies apply as follows: a. Semi-expendable property which were recognized as PPE shall be reclassified to the affected accounts...*

It was observed that the College failed to conduct physical count of its inventory and PPEs as of December 31, 2017 and to submit the Report on the Physical Count of Inventories (RPCI) and the Report on Physical Count of Property, Plant and Equipment (RCPPE) which were due on January 31, 2018. This is in spite of the fact that an Inventory Committee has been constituted. Examination of records showed that Property Cards and Stock Cards were not maintained by the Property and Supply Officer thus reconciliation with accounting records could not be undertaken.

The failure to conduct physical inventory and to submit the RPCI and RCPPE and the absence of the Property Cards and Stock Cards prevented the auditor in validating the existence and condition of the PPEs and Office Supplies Inventory, casting doubt on the validity and accuracy of the account balances in the financial statement.

This audit observation has been repeatedly reported in the previous years’ audit report. We are inclined to conclude that there is no effective control of government property in the Agency rendering the integrity of property custodianship questionable.

Considering the PPE and supplies inventory accounts constitute 68.33 % of the total assets of the Agency, the fairness of the presentation of the financial statement is materially affected.

***Recommendation:***

***We reiterate our recommendation for the Agency to 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.***

**Buildings and Other Structures not insured with GSIS**

- 5. Buildings and other school properties of the College were not insured with the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS) despite the mandatory requirement as provided in COA Circular No. 92-390 dated November 11, 1992 thus, exposing these properties to risk of not being indemnified for any damage or loss due to any fortuitous event such as fire, earthquake, typhoon and/or flood.***

Item 1.1.2 of COA Circular No. 92-390 dated November 17, 1992 provides that:

*“xxx All insurable assets and properties of the government are adequately covered/insured with the General Insurance Fund of the GSIS xxx.”*

Item 3.1 of the same Circular provides that:

*“All heads of national agencies, local government units and Government-owned or controlled corporations shall be responsible for the preparation and submission of the inventory of all insurable physical assets. xxx”*

All insurable properties of the Agency must be covered with the appropriate property insurance with the Government Service Insurance System (GSIS) in order to indemnify or compensate the Agency for any damage to, or loss of, its properties due to fire, earthquake, storm, or other casualty.

Verification of the Agency’s PPE disclosed that insurable assets particularly its buildings and other structures are at risk of loss without indemnification in case of fire or other fortuitous event because they were not insured with the property insurance with the General Insurance Fund of the GSIS.

***Recommendation:***

***We recommend that the College adhere to the provisions of COA Circular No. 92-390 dated November 17, 1992.***

**Late submission of financial statements, periodic reports and transaction documents**

- 6. The transaction documents/reports and financial statements were not submitted on or before the prescribed deadline contrary to Section 7.2.1 (a) of COA Circular No. 2009-006 and Sections 59 and 60, Chapter 19 of the Government Accounting Manual (GAM) for NGAs, Volume I, due to lack of supervision and monitoring of accounting and cashiering personnel by concerned officers, hindering the conduct of audit and consequently, casting doubt on the validity and propriety of the financial transactions and accounting reports.***

Section 7.2.1 (a) of COA Circular No. 2009-006 dated September 15, 2009 reads:

*“The Chief Accountant, Bookkeeper or other authorized officials performing accounting and bookkeeping functions of the audited agency shall ensure that the reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the Auditor within the first ten (10) days of the ensuing month.”*

Section 59, Note 4 Chapter 19 of the GAM for NGAs, Volume I, which provides that:

*“The pre-closing trial balance and other reports shall be submitted within ten (10) days after the end of the month to COA Resident Auditor and DBM while, year-end trial balances and other reports shall be submitted on or before February 14 of the following year to COA Resident Auditor, DBM and Government Accountancy Sector, COA.”*

Also, Section 60 of the same Manual provided for the deadlines on the submission of financial statements and schedules.

Review of the transactions of the College revealed that submission of transaction documents and accounting reports for CY 2017 were delayed from one month to nine months. The Accountant reasoned out that the cause of delay was the late submission of reports from the Cashier's Office and the lack of manpower.

This deficiency has been repeatedly noted in the previous years' audit and yet

the responsible personnel concerned failed to act appropriately and comply with the recommendation.

The existing condition could have been improved had there been proper planning, target setting, preparation of the commitment reports, and periodic monitoring by the Office of the Director for Finance.

The foregoing condition prevented the timely conduct of post-audit and review of financial statements and schedules. Consequently, management's assertions of occurrence, accuracy, validity, and completeness of the transactions could not be promptly established, thereby, defeating the purpose of providing timely and reliable significant financial information to end-users.

**We recommend that the Office of the Director of Finance:**

- a) conduct planning, target setting and prepare commitment reports particularly on the timelines on the submission of transaction documents/reports and financial statements provided in Section 7.2.1 (a) of COA Circular 2009-006 and Sections 59 and 60, Chapter 19, of GAM for NGAs, Volume I and other reports required by COA, DBM and other regulatory bodies;**
- b) review and evaluate the performance of the accounting and cashiering personnel; and recommend replacement for those found undesirable with qualified personnel with the right work attitude; and**
- c) conduct periodic monitoring of submission of required reports to COA, DBM and other regulatory bodies and see to it that all the required reports are submitted on time.**



## **PART III**

# **STATUS OF IMPLEMENTATION OF PRIOR YEAR'S UNIMPLEMENTED AUDIT RECOMMENDATIONS**

## STATUS OF IMPLEMENTATION OF PRIOR YEAR'S UNIMPLEMENTED AUDIT RECOMMENDATIONS

Of the thirteen audit recommendations contained in Prior Years' Annual Audit Report two were implemented, another two were partially implemented and nine remained unimplemented, five of which are reiterated in this Report.

Audit Observation	Ref	Management Action	Reason for Partial/Non-Implementation
<p><i>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.</i></p> <p>We recommend that Management shall:</p> <ol style="list-style-type: none"> <li>1. Require the Accountant to determine the actual unutilized NCA balances as of December 31, 2016.</li> <li>2. Direct the Accountant to remit the remaining unutilized NCA to the Bureau of Treasury.</li> <li>3. Comply with the provisions of DBM CL No. 2013-12 and DBM NBC No. 561 to present a reliable Cash in Bank balance.</li> </ol>	AAR CY 2016 Page 19-20		<i>Not implemented. Reiterated as Finding # 1.</i>
<p><i>2. Management's laxity in the enforcement of Section 16 of Executive Order No. 248, as amended, and its implementing rules and regulations provided in COA Circular No. 97-002 on cash advances granted for travel, resulted in the accumulation of un-liquidated cash advances of ₱ 12,488,341.45, thus sizeable amount of current operating expenses are unrecorded.</i></p> <p>We recommend the following measures:</p> <ul style="list-style-type: none"> <li>• The Chancellor should refrain from approving Travel Order when notice is received from the Accountant that previous travel was not yet liquidated;</li> <li>• Enforce withholding of salary of non-compliant personnel; and</li> </ul>	AAR CY 2016 Page 20-21		<i>Not implemented. Reiterated as Finding # 2.</i>

Audit Observation	Ref	Management Action	Reason for Partial/Non-Implementation
<ul style="list-style-type: none"> <li>The Office of the Accountant should maintain up-to-date individual subsidiary ledgers for Due from Officers and Employees. This will facilitate monitoring of cash advances.</li> </ul>			
<p><i>3. Cash advances granted to regular and special disbursing officers of ₱ 20,648,026.55 for the payment of other compensation and time-bound activities were allowed to remain not liquidated at the end of the year contrary to the provisions of Section 89 of PD 1445 and COA Circular No. 97-002 thus, expenses for personal services for the year were not recorded. And this resulted in the overstatement of the net income. Further, it exposed the funds to the risk of misuse and loss.</i></p> <p>Recommendation:</p> <ul style="list-style-type: none"> <li>Demand from the concerned accountable officers the immediate liquidation of the cash advances; and</li> <li>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.</li> </ul>	<p>Pages 21-22 of AAR 2016</p>		<p><i>Not implemented. Reiterated as Finding # 3.</i></p>
<p><i>4. The College failed to conduct physical inventory and to submit the inventory report in Calendar Year 2016 as required under Section 490 of Government Accounting and Auditing Manual, Volume I, thus the validity, existence and correctness of the Supplies Inventory and Property, Plant and Equipment accounts with book value of ₱ 9,135,517.63 and ₱ 232,990,531.53, respectively, could not be ascertained affecting the fair presentation of the accounts in the financial statements.</i></p> <p>We reiterate our recommendation for the Agency to 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.</p>	<p>Pages 23-24 of AAR 2016</p>		<p><i>Not implemented. Reiterated as Finding # 4.</i></p>

Audit Observation	Ref	Management Action	Reason for Partial/Non-Implementation
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.			
<p><i>5. Depreciation was not provided by the agency for its Property, Plant and Equipment with acquisition cost of ₱ 270,345,395.32, hence, assets and net income for the year was overstated by about ₱ 18,603,011.27.</i></p> <p>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.</p>	Pages 24-25 of AAR CY 2016		<i>Partially implemented.</i>
<p><i>6. The amount of ₱ 5,387,845.93 from Special Trust Fund was disbursed without an approved special budget as required under Republic Act 8292 and COA Circular No. 2000-02 dated April 4, 2000, rendering the expenditures as unauthorized.</i></p> <p>Refrain from disbursing from the special trust fund without a special budget duly approved by the Board of Regents pursuant to RA 8292 and COA Circular No. 2000-02.</p>	Pages 21-22 of AAR CY 2014		<i>Implemented.</i>
<p><i>7. The accuracy of Cash in Bank account with an aggregate amount of ₱ 49,893,705.91 as of December 31, 2013 could not be ascertained due to delayed submission of Bank Reconciliation Statement, non-maintenance of the necessary subsidiary ledgers for the bank account and non-recording of reconciling items contrary to Section 74 of PD 1445.</i></p> <p>Management should require the Accounting personnel to prepare and submit regularly, within the prescribed period the BRS in compliance with</p>	Pages 13-14 of AAR CY 2013		<i>Not implemented.</i>

Audit Observation	Ref	Management Action	Reason for Partial/Non-Implementation
Section 2.1.4 of COA Circular No. 92-125A Coordinate closely with the depository bank by requesting them to deliver promptly the monthly bank statements so that the accounting personnel can prepare the BRS on time.			
<p>8. <i>The post-audit of office and other supplies in the total amount of ₱ 1,379,082.50 showed that none had been procured from the Procurement Service of the Department of Budget and management (DBM) contrary the provisions of Administrative Order No. 17 dated July 28, 2011.</i></p> <p>The College should procure commonly used goods, supplies and materials from the Procurement Service in compliance with Administrative Order No. 17, series of 2011.</p>	Pages 17-18 of AAR CY 2013		<i>Implemented.</i>
<p>9. <i>Purchases of office and other supplies during the year were directly issued to end users and charged to the expense account without coursing through the inventory account. Stock Cards and Supplies Ledger Cards were not maintained. These are contrary to the provisions of Section 43, volume I of the NGAS Manual.</i></p> <p>The Agency should adopt the perpetual inventory method in recording purchase of supplies and materials. The Agency Head should direct the Accountant to maintain records as required by the NGAS Manual to ensure that the correct amount of inventory and expenses accounts are taken up in the books.</p>	Pages 18-19 of AAR CY 2013		<i>Partially implemented.</i>
<p>10. <i>The College failed to submit copies of the purchase orders to the Office of the Auditor within five (5) working days upon approval/perfection, in violation of the provisions of COA Circular No. 2009-001 dated February 12, 2009. This precluded the Auditor to conduct timely review of contracts, inspection of project and purchases, and communicate to management defects/deficiencies noted.</i></p> <p>The College should submit copies of contracts and</p>	Page 19-20 of AAR 2013		<i>Not implemented.</i>

Audit Observation	Ref	Management Action	Reason for Partial/Non-Implementation
inspection of project and purchases in compliance with COA Circular 2009-001.			
<p><i>11. Account payables due to GOCC and BIR has unreconciled balances and remained unremitted as of December 31, 2013 with the total amount of ₱ 2,958,185.37.</i></p> <p>Management should create a committee to undertake the reconciliation of unremitted premiums due to GOCC and the BIR and to hasten the negotiation on interest due. Thereafter, they should come up with a commitment on how to remit the long outstanding premiums. However, those officials responsible for not remitting the mandatory contribution should be made answerable for their actions and appropriate charges should be filed.</p>	Pages 20-21 of AAR CY 2013		<i>Not implemented.</i>
<p><i>12. Delayed submission of the paid Disbursement vouchers/payrolls/receipts for post audit contrary to the provisions of Sections 43, Par. 4, 100 and 107 of PD 1445, otherwise known as The government Auditing Code of the Philippines.</i></p> <p>Management should observe the timely submission of the required reports and documents, pursuant to existing laws, rules and regulations.</p>	Pages 21-22 of AAR CY 2013		<i>Not implemented. Reiterated as Finding# 6.</i>
<p><i>13. The required 5% specific allocation for Gender and Development (GAD) in the Annual Budget of the College was not implemented, however various activities were claimed GAD related programs.</i></p> <p>Strict compliance of the 5 % allocation for GAD programs in their Annual Budget as provided under existing laws, rules and regulations.</p>	Page 22 of AAR CY 2013		<i>Not implemented</i>

## **PART IV – ANNEXES**

Mindanao State University- Tawi-Tawi College of Technology and Oceanography								
STATEMENT OF FINANCIAL POSITION								
(By Fund)								
As at December 31, 2017								
			CY 2017			CY 2016		
			Fund 01	Fund 05	TOTAL	Fund 01	Fund 05	TOTAL
ASSETS								
Current Assets								
Cash and Cash Equivalents								
Cash on Hand								
Cash - Collecting Officers			-		0.00	-	75,503.56	75,503.56
Petty Cash Fund			20,000.00	5,000.00	25,000.00	20,000.00	5,000.00	25,000.00
Total Cash on Hand			20,000.00	5,000.00	25,000.00	20,000.00	80,503.56	100,503.56
Cash in Bank - Local Currency								
Cash in Bank - Local Currency, Current Account			76,022,482.07	24,247,931.88	100,270,413.95	84,040,990.88	18,005,153.63	102,046,144.51
Total Cash in Bank - Local Currency			76,022,482.07	24,247,931.88	100,270,413.95	84,040,990.88	18,005,153.63	102,046,144.51
Total Cash and Cash Equivalents			76,042,482.07	24,252,931.88	100,295,413.95	84,060,990.88	18,085,657.19	102,146,648.07
Receivables:								
Loans and Receivable Accounts								
Accounts Receivable			-	636,874.80	636,874.80	-	636,874.80	636,874.80
Inter-Agency Receivables								
Due from NGAs				2,176,500.00	2,176,500.00		2,176,500.00	2,176,500.00
Other Receivables								
Receivables - Disallowance/Charges			516,325.37	-	516,325.37	516,325.37	-	516,325.37
Other Receivables			10,289,411.00	-	10,289,411.00	10,289,411.00	-	10,289,411.00
Total Other Receivables			10,805,736.37	-	10,805,736.37	10,805,736.37	-	10,805,736.37
Total Receivables			10,805,736.37	2,813,374.80	13,619,111.17	10,805,736.37	2,813,374.80	13,619,111.17
Inventories:								
Inventory Held for Consumption								
Office Supplies Inventory			9,002,982.23	132,535.40	9,135,517.63	9,002,982.23	132,535.40	9,135,517.63
Accountable Forms, Plates and Stickers Inventory			100,000.00	50,000.00	150,000.00	100,000.00	50,000.00	150,000.00



	Textbooks and Instructional Materials Inventory	45,000.00	50,428.00	95,428.00	45,000.00	50,428.00	95,428.00
	<i>Total Inventory Held for Consumption</i>	9,147,982.23	232,963.40	9,380,945.63	9,147,982.23	232,963.40	9,380,945.63
	<i>Semi -Expendable Machinery and Equipment</i>						
	Semi -Expendable Office Equipment	12,950.00		12,950.00	0.00		0.00
	<i>Semi -Expendable Furniture, Fixtures and Books</i>						
	Semi -Expendable Furniture and Fixtures	7,499,500.00		7,499,500.00			0.00
	Semi -Expendable Books	13,734,581.00	29,818.30	13,764,399.30			0.00
	<i>Total Semi -Expendable Furniture, Fixtures and Books</i>	21,234,081.00	29,818.30	21,263,899.30	0.00	0.00	0.00
	<b>Total Inventories</b>	<b>30,395,013.23</b>	<b>262,781.70</b>	<b>30,657,794.93</b>	<b>9,147,982.23</b>	<b>232,963.40</b>	<b>9,380,945.63</b>
	<b>Other Current Assets</b>						
	<i>Advances</i>						
	Advances for Operating Expenses	104,987.28	6,687,230.99	6,792,218.27			
	Advances for Payroll	5,727,858.93	2,099,640.49	7,827,499.42	13,290,245.59	2,619,637.37	15,909,882.96
	Advances to Special Disbursing Officers	13,919,760.62	350,400.00	14,270,160.62	11,234,563.90	9,413,462.65	20,648,026.55
	Advances to Officers and Employees	9,481,603.32	1,435,824.91	10,917,428.23	11,229,462.97	1,258,878.48	12,488,341.45
	<i>Total Advances</i>	29,234,210.15	10,573,096.39	39,807,306.54	35,754,272.46	13,291,978.50	49,046,250.96
	<i>Prepayments</i>						
	Advances to Contractors	14,268,124.79	23,250.00	14,291,374.79	15,700,452.91	0.00	15,700,452.91
	<b>Total Other Current Assets</b>	<b>43,502,334.94</b>	<b>10,596,346.39</b>	<b>54,098,681.33</b>	<b>51,454,725.37</b>	<b>13,291,978.50</b>	<b>64,746,703.87</b>
	<b>Total Current Assets</b>	<b>160,745,566.61</b>	<b>37,925,434.77</b>	<b>198,671,001.38</b>	<b>155,469,434.85</b>	<b>34,423,973.89</b>	<b>189,893,408.74</b>
	<b>Non-Current Assets</b>						
	<b>Property, Plant and Equipment</b>						
	<i>Land</i>	16,994,835.50		16,994,835.50	16,994,835.50		16,994,835.50
	<i>Infrastructure Assets</i>						
	Power Supply Systems	1,416,955.78		1,416,955.78			
	<i>Buildings and Other Structures</i>						
	School Buildings	209,081,361.63	18,411,123.95	227,492,485.58	193,840,562.62	10,542,873.95	204,383,436.57
	<i>Accumulated Depreciation - School Building</i>	66,230,354.37	1,424,929.90	67,655,284.27	63,902,001.24	-	63,902,001.24
	<i>Net Value</i>	142,851,007.26	16,986,194.05	159,837,201.31	129,938,561.38	10,542,873.95	140,481,435.33
	Other Structures	3,496,669.11	2,255,408.00	5,752,077.11	3,241,328.95		3,241,328.95
	<i>Accumulated Depreciation - Other Structures</i>	157,950.70	150,360.53	308,311.23	-		-
	<i>Net Value</i>	3,338,718.41	2,105,047.47	5,443,765.88	3,241,328.95	-	3,241,328.95
	<i>Total Buildings and Other Structures</i>	146,189,725.67	19,091,241.52	165,280,967.19	133,179,890.33	10,542,873.95	143,722,764.28

<i>Machinery and Equipment</i>						
Machinery	1,137,607.50	6,043,886.80	7,181,494.30	1,017,907.50	6,043,886.80	7,061,794.30
<i>Accumulated Depreciation - Machineries</i>	907,743.44	604,388.68	1,512,132.12	888,586.86	-	888,586.86
<i>Net Value</i>	229,864.06	5,439,498.12	5,669,362.18	129,320.64	6,043,886.80	6,173,207.44
Office Equipment	14,761,553.26	4,079,262.16	18,840,815.42	10,642,787.27	4,057,512.16	14,700,299.43
<i>Accumulated Depreciation - Office Equipment</i>	660,758.79	410,101.22	1,070,860.01	133,873.40	-	133,873.40
<i>Net Value</i>	14,100,794.47	3,669,160.94	17,769,955.41	10,508,913.87	4,057,512.16	14,566,426.03
Information and Communication Technology Equipment	14,132,428.80	716,249.39	14,848,678.19	14,120,878.80	716,249.39	14,837,128.19
<i>Accumulated Depreciation - ICT Equipment</i>	972,606.29	71,624.94	1,044,231.23	825,825.60	-	825,825.60
<i>Net Value</i>	13,159,822.51	644,624.45	13,804,446.96	13,295,053.20	716,249.39	14,011,302.59
Marine and Fishery Equipment	3,179,900.86	372,546.00	3,552,446.86	3,179,900.86	72,546.00	3,252,446.86
<i>Accumulated Depreciation - Marine and Fishery Equipment</i>	1,987,020.36	67,254.60	2,054,274.96	1,901,181.49	-	1,901,181.49
<i>Net Value</i>	1,192,880.50	305,291.40	1,498,171.90	1,278,719.37	72,546.00	1,351,265.37
Communication Equipment	356,421.05		356,421.05	356,421.05	-	356,421.05
<i>Accumulated Depreciation - Communication Equipment</i>	219,848.55		219,848.55	216,284.34	-	216,284.34
<i>Net Value</i>	136,572.50		136,572.50	140,136.71	-	140,136.71
Firefighting Equipment and Accessories	802,000.00		802,000.00	802,000.00	-	802,000.00
<i>Accumulated Depreciation - Firefighting Equipment and Accessories</i>	702,000.00		702,000.00	702,000.00		702,000.00
<i>Net Value</i>	100,000.00		100,000.00	100,000.00	-	100,000.00
Military, Police and Security Equipment	57,100.00		57,100.00	57,100.00	-	57,100.00
<i>Accumulated Depreciation - Military, Police and Security Equipment</i>	51,961.00		51,961.00	51,390.00		51,390.00
<i>Net Value</i>	5,139.00		5,139.00	5,710.00		5,710.00
Medical Equipment	333,465.00		333,465.00	333,465.00	-	333,465.00
<i>Accumulated Depreciation - Medical Equipment</i>	3,334.65		3,334.65	-		-
<i>Net Value</i>	330,130.35		330,130.35	333,465.00	-	333,465.00
Sports Equipment	1,408,169.00	103,615.50	1,511,784.50	773,805.00	103,615.50	877,420.50
<i>Accumulated Depreciation - Sports Equipment</i>	702,194.95	10,361.55	712,556.50	681,770.60		681,770.60
<i>Net Value</i>	705,974.05	93,253.95	799,228.00	92,034.40	103,615.50	195,649.90
Technical and Scientific Equipment	31,272,218.71		31,272,218.71	21,690.00	-	21,690.00
<i>Accumulated Depreciation - Technical and Scientific Equipment</i>	4,034,218.70		4,034,218.70	19,868.34		19,868.34
<i>Net Value</i>	27,238,000.01		27,238,000.01	1,821.66		1,821.66

Other Machinery and Equipment	3,973,386.64	58,835.00	4,032,221.64	2,392,761.64	58,835.00	2,451,596.64
Accumulated Depreciation - Other Machinery and Equipment	1,836,308.20	5,883.50	1,842,191.70	1,572,531.16	-	1,572,531.16
Net Value	2,137,078.44	52,951.50	2,190,029.94	820,230.48	58,835.00	879,065.48
Total Machinery and Equipment	59,336,255.89	10,204,780.36	69,541,036.25	26,705,405.33	11,052,644.85	37,758,050.18
Transportation Equipment						
Motor Vehicles	11,709,822.55	7,535.00	11,717,357.55	8,429,822.55	7,535.00	8,437,357.55
Accumulated Depreciation- Motor Vehicles	4,957,338.23	753.50	4,958,091.73	4,634,540.00	-	4,634,540.00
Net Value	6,752,484.32	6,781.50	6,759,265.82	3,795,282.55	7,535.00	3,802,817.55
Watercrafts	5,714,741.90		5,714,741.90	5,714,741.90	-	5,714,741.90
Accumulated Depreciation - Watercrafts	4,854,214.92		4,854,214.92	4,797,067.50		4,797,067.50
Net Value	860,526.98		860,526.98	917,674.40		917,674.40
Other Transportation Equipment	672,419.00		672,419.00	672,419.00		672,419.00
Accumulated Depreciation - Other Transportation Equipment	611,890.04		611,890.04	605,165.85		605,165.85
Net Value	60,528.96		60,528.96	67,253.15	-	67,253.15
Total Transportation Equipment	7,673,540.26	6,781.50	7,680,321.76	4,780,210.10	7,535.00	4,787,745.10
Furniture, Fixtures and Books						
Furniture and Fixtures	13,212,833.63	1,174,390.87	14,387,224.50	11,173,339.49	1,174,390.87	12,347,730.36
Accumulated depreciation-Furniture & Fixtures	5,853,023.35	117,439.09	5,970,462.44	5,669,565.89	-	5,669,565.89
Net Value	7,359,810.28	1,056,951.78	8,416,762.06	5,503,773.60	1,174,390.87	6,678,164.47
Books	8,355,612.44	47,662.00	8,403,274.44	6,021,567.56	47,662.00	6,069,229.56
Accumulated depreciation-Furniture & Fixtures	154,287.41	4,766.20	159,053.61	-	-	-
Net Value	8,201,325.03	42,895.80	8,244,220.83	6,021,567.56	47,662.00	6,069,229.56
Total Furniture, Fixtures and Books	15,561,135.31	1,099,847.58	16,660,982.89	11,525,341.16	1,222,052.87	12,747,394.03
Leased Assets						
Leased Assets, Machinery and Equipment	4,128,961.32		4,128,961.32			
Accumulated Depreciation -Leased Assets, Machinery and Equipment	55,780.37		55,780.37			
Net Value	4,073,180.95	-	4,073,180.95	-	-	-
Total Leased Assets	4,073,180.95	-	4,073,180.95	-	-	-
Construction in Progress						
Construction in Progress- Buildings & Other Structures	42,714,000.54	7,670,628.15	50,384,628.69	1,618,745.97	14,505,099.72	16,123,845.69
Other Property, Plant & Equipment						
Other Property, Plant & Equipment	5,143,036.50	34,500.00	5,177,536.50	5,128,036.50	19,500.00	5,147,536.50

	<i>Accumulated Depreciation-Other Property, Plant and Equipment</i>	4,643,611.85	6,900.00	4,650,511.85	4,291,639.75	-	4,291,639.75
	<i>Net Value</i>	499,424.65	27,600.00	527,024.65	836,396.75	19,500.00	855,896.75
	<i>Total Other Property, Plant and Equipment</i>	499,424.65	27,600.00	527,024.65	836,396.75	19,500.00	855,896.75
	<b>Total Property, Plant and Equipment</b>	<b>294,459,054.55</b>	<b>38,100,879.11</b>	<b>332,559,933.66</b>	<b>195,640,825.14</b>	<b>37,349,706.39</b>	<b>232,990,531.53</b>
	<b>Other Non-Current Assets</b>						
	<i>Other Assets</i>						
	Other Assets	325,300.00	10,800.00	336,100.00			
	<b>Total Other non-Current Assets</b>	<b>325,300.00</b>	<b>10,800.00</b>	<b>336,100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total Non-Current Assets</b>	<b>294,784,354.55</b>	<b>38,111,679.11</b>	<b>332,896,033.66</b>	<b>195,640,825.14</b>	<b>37,349,706.39</b>	<b>232,990,531.53</b>
	<b>TOTAL ASSETS</b>	<b>455,529,921.16</b>	<b>76,037,113.88</b>	<b>531,567,035.04</b>	<b>351,110,259.99</b>	<b>71,773,680.28</b>	<b>422,883,940.27</b>
	<b>LIABILITIES AND EQUITY</b>						
	<b>LIABILITIES</b>						
	<b>Current Liabilities</b>						
	<b>Financial Liabilities</b>						
	<i>Payables</i>						
	Accounts Payable	4,019,304.65	-	4,019,304.65	17,460,746.49	-	17,460,746.49
	Due to Officers and Employees	54,121,913.64	-	54,121,913.64	64,350,050.83	-	64,350,050.83
	<i>Total Payables</i>	58,141,218.29	-	58,141,218.29	81,810,797.32	-	81,810,797.32
	<b>Total Financial Liabilities</b>	<b>58,141,218.29</b>	<b>-</b>	<b>58,141,218.29</b>	<b>81,810,797.32</b>	<b>-</b>	<b>81,810,797.32</b>
	<b>Inter-Agency Payables</b>						
	Due to BIR	2,627,011.84	31,558.23	2,658,570.07	526,937.98	26,640.92	553,578.90
	Due to GSIS	(42,499.39)	-	-42,499.39	252,038.72	-	252,038.72
	Due to Pag-Ibig	(184,729.23)		-184,729.23	37,104.90	-	37,104.90
	Due to PhilHealth	898,526.59	-	898,526.59	688,136.54	-	688,136.54
	Due to NGAs	123,743.61	1,384,878.93	1,508,622.54	123,743.61	2,251,174.63	2,374,918.24
	<b>Total Inter-Agency Payables</b>	<b>3,422,053.42</b>	<b>1,416,437.16</b>	<b>4,838,490.58</b>	<b>1,627,961.75</b>	<b>2,277,815.55</b>	<b>3,905,777.30</b>
	<b>Total Current Liabilities</b>	<b>61,563,271.71</b>	<b>1,416,437.16</b>	<b>62,979,708.87</b>	<b>83,438,759.07</b>	<b>2,277,815.55</b>	<b>85,716,574.62</b>

<b>Non-Current Liabilities</b>						
<b>Deferred Credits</b>						
Other Deferred Credits	-	737,521.85	737,521.85	-	737,521.85	737,521.85
<b>Other Payables</b>						
Other Payables	3,190,102.17	19,165.59	3,209,267.76	2,736,358.77	19,165.59	2,755,524.36
<b>Total Non-Current Liabilities</b>	<b>3,190,102.17</b>	<b>756,687.44</b>	<b>3,946,789.61</b>	<b>2,736,358.77</b>	<b>756,687.44</b>	<b>3,493,046.21</b>
<b>TOTAL LIABILITIES</b>	<b>64,753,373.88</b>	<b>2,173,124.60</b>	<b>66,926,498.48</b>	<b>86,175,117.84</b>	<b>3,034,502.99</b>	<b>89,209,620.83</b>
<b>NET ASSETS/EQUITY</b>						
<b>Government Equity</b>						
Accumulated Surplus	390,776,547.28	73,863,989.28	464,640,536.56	264,935,142.15	68,739,177.29	333,674,319.44
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>455,529,921.16</b>	<b>76,037,113.88</b>	<b>531,567,035.04</b>	<b>351,110,259.99</b>	<b>71,773,680.28</b>	<b>422,883,940.27</b>
<i>This statement should be read in conjunction with the accompanying notes.</i>						

Mindanao State University-  
Tawi-Tawi College of Technology and Oceanography  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**(By Fund)**

For the Year Ended December 31, 2017

			2017			2016		
			Fund 01	Fund 05	TOTAL	Fund 01	Fund 05	TOTAL
<b>INCOME</b>								
<b>Service and Business Income</b>								
<b>Service Income:</b>								
	Permit Fees	-	39,005.00	39,005.00	-	8,550.00	8,550.00	
	Registration Fees	-	142,065.00	142,065.00	-	198,335.00	198,335.00	
	Clearance and Certification Fees			-		60,535.00	60,535.00	
	Other Service Income			-		1,425,826.00	1,425,826.00	
	<b>Total Service Income</b>	-	<b>181,070.00</b>	<b>181,070.00</b>	-	<b>1,693,246.00</b>	<b>1,693,246.00</b>	
<b>Business Income:</b>								
	School Fees		14,664,793.87	14,664,793.87		2,680,258.50	2,680,258.50	
	Rent/Lease Income		792,507.00	792,507.00		328,490.00	328,490.00	
	Other Business Income			-		2,361,238.94	2,361,238.94	
	<b>Total Business Income</b>	<b>0.00</b>	<b>15,457,300.87</b>	<b>15,457,300.87</b>	<b>0.00</b>	<b>5,369,987.44</b>	<b>5,369,987.44</b>	
	<b>Total Service and Business Income</b>	-	<b>15,638,370.87</b>	<b>15,638,370.87</b>	-	<b>7,063,233.44</b>	<b>7,063,233.44</b>	
<b>TOTAL INCOME</b>			-	<b>15,638,370.87</b>	<b>15,638,370.87</b>	-	<b>7,063,233.44</b>	<b>7,063,233.44</b>
<b>LESS: EXPENSES</b>								
<b>PERSONNEL SERVICES</b>								
<b>Salaries and Wages</b>								
	Salaries and Wages - Regular	224,332,186.25		224,332,186.25	211,743,557.52	761,937.41	212,505,494.93	
	Salaries and Wages - Casual/Contractual	29,649,259.44	299,551.45	29,948,810.89	11,876,209.27	159,944.91	12,036,154.18	
	<b>Total Salaries and Wages</b>	<b>253,981,445.69</b>	<b>299,551.45</b>	<b>254,280,997.14</b>	<b>223,619,766.79</b>	<b>921,882.32</b>	<b>224,541,649.11</b>	
<b>Other Compensation</b>								
	Personal Economic Relief Allowance (PERA)	18,598,000.00		18,598,000.00	18,410,000.00	45,000.00	18,455,000.00	
	Representation Allowance (RA)	4,120,727.25	72,000.00	4,192,727.25	1,979,600.00	-	1,979,600.00	
	Transportation Allowance (TA)	4,201,875.63	30,000.00	4,231,875.63	1,978,100.00	-	1,978,100.00	

	Clothing/Uniform Allowance	3,782,187.00		3,782,187.00	3,865,000.00		3,865,000.00
	Subsistence Allowance	101,366.18	-	101,366.18	154,080.00	-	154,080.00
	Laundry Allowance	35,310.00		35,310.00			-
	Honoraria	5,961,566.88	73,800.00	6,035,366.88	2,002,750.62	86,095.00	2,088,845.62
	Overtime and Night Pay	2,303,898.72		2,303,898.72	446,297.08	14,230.36	460,527.44
	Year-end Bonus	19,911,516.75	-	19,911,516.75	18,448,191.50	-	18,448,191.50
	Cash Gift	3,907,000.00	-	3,907,000.00	2,639,500.00	-	2,639,500.00
	Other Bonuses and Allowances			-		2,413,000.00	2,413,000.00
	<b>Total Other Compensation</b>	<b>62,923,448.41</b>	<b>175,800.00</b>	<b>63,099,248.41</b>	<b>54,404,069.20</b>	<b>2,573,325.36</b>	<b>56,977,394.56</b>
	<b>Personnel Benefit Contributions</b>						
	Retirement and Life Insurance Premiums	27,676,487.85	-	27,676,487.85	25,047,730.93	-	25,047,730.93
	Pag-IBIG Contributions	850,400.00	-	850,400.00	922,650.00	-	922,650.00
	PhilHealth Contributions	2,588,151.30	-	2,588,151.30	2,270,350.00	-	2,270,350.00
	Employees Compensation Insurance Premiums	306,785.31	-	306,785.31	616,522.54	-	616,522.54
	<b>Total Personnel Benefit Contributions</b>	<b>31,421,824.46</b>	<b>-</b>	<b>31,421,824.46</b>	<b>28,857,253.47</b>	<b>-</b>	<b>28,857,253.47</b>
	<b>Other Personnel Benefits</b>						
	Terminal Leave Benefits	59,113,923.72	-	59,113,923.72	17,476,488.77	-	17,476,488.77
	Other Personnel Benefits	6,077,000.00		6,077,000.00			-
	<b>Other Personnel Benefits</b>	<b>65,190,923.72</b>	<b>-</b>	<b>65,190,923.72</b>	<b>17,476,488.77</b>	<b>-</b>	<b>17,476,488.77</b>
	<b>TOTAL PERSONNEL SERVICES</b>	<b>413,517,642.28</b>	<b>475,351.45</b>	<b>413,992,993.73</b>	<b>324,357,578.23</b>	<b>3,495,207.68</b>	<b>327,852,785.91</b>
	<b>MAINTENANCE AND OTHER OPERATING EXPENSES</b>						
	<b>Travelling Expenses</b>						
	Traveling Expenses - Foreign	808,325.34	-	808,325.34		-	-
	Traveling Expenses - Local	8,825,235.22	250,801.88	9,076,037.10	6,626,601.66	912,532.22	7,539,133.88
	<b>Total Travelling Expenses</b>	<b>9,633,560.56</b>	<b>250,801.88</b>	<b>9,884,362.44</b>	<b>6,626,601.66</b>	<b>912,532.22</b>	<b>7,539,133.88</b>
	<b>Training and Scholarship Expenses</b>						
	Scholarship Expenses	19,751,728.28	5,210.00	19,756,938.28	8,094,793.00	9,700.00	8,104,493.00
	Training Expenses	6,196,911.15		6,196,911.15	1,171,373.28	62,500.00	1,233,873.28
	<b>Total Training and Scholarship Expenses</b>	<b>25,948,639.43</b>	<b>5,210.00</b>	<b>25,953,849.43</b>	<b>9,266,166.28</b>	<b>72,200.00</b>	<b>9,338,366.28</b>
	<b>Supplies and Materials Expenses</b>						
	Office Supplies Expenses	970,469.75	6,108.50	976,578.25	933,336.25	134,929.50	1,068,265.75
	Accountable Forms Expenses			-	13,800.00	100,000.00	113,800.00
	Food Supplies Expenses	1,589,625.06	45,670.22	1,635,295.28	1,305,588.75	2,900.00	1,308,488.75
	Drugs and Medicine Expenses	72,260.00	-	72,260.00	347,518.00	88,359.00	435,877.00
	Fuel, Oil and Lubricants Expenses	509,829.97	150.00	509,979.97	666,077.40		666,077.40
	Agricultural and Marines Supplies Expenses	306,665.65	413,624.96	720,290.61	534,653.50		534,653.50

	Semi -Expendable Machinery and Equipment Expenses		3,898.00	3,898.00			-
	Other Supplies and Materials Expenses	2,276,596.98	102,036.50	2,378,633.48	1,117,522.41	47,493.20	1,165,015.61
	<b>Total Supplies and Materials Expenses</b>	<b>5,725,447.41</b>	<b>571,488.18</b>	<b>6,296,935.59</b>	<b>4,918,496.31</b>	<b>373,681.70</b>	<b>5,292,178.01</b>
	<b>Utility Expenses</b>						
	Water Expenses	1,977,409.53		1,977,409.53	1,811,869.45		1,811,869.45
	Electricity Expenses	3,348,456.01	4,605.00	3,353,061.01	2,192,363.94	-	2,192,363.94
	<b>Total Utility Expenses</b>	<b>5,325,865.54</b>	<b>4,605.00</b>	<b>5,330,470.54</b>	<b>4,004,233.39</b>	<b>-</b>	<b>4,004,233.39</b>
	<b>Communication Expenses</b>						
	Postage and Courier Expense	8,695.00	1,020.00	9,715.00			
	Telephone Expenses	54,686.63	10,200.00	64,886.63	32,199.00		32,199.00
	Internet Subscription Expenses	529,306.89	263,088.10	792,394.99	888,176.64		888,176.64
	Cable, Satellite, Telegraph and Radio Expenses	22,650.00		22,650.00	8,800.00		8,800.00
	<b>Total Communication Expenses</b>	<b>615,338.52</b>	<b>274,308.10</b>	<b>889,646.62</b>	<b>929,175.64</b>	<b>-</b>	<b>929,175.64</b>
	<b>Awards/Rewards and Prizes</b>						
	Awards and Rewards Expenses	1,259,387.00		1,259,387.00	250,000.00		250,000.00
	Indemnities	3,000.00		3,000.00			-
	<b>Total Awards/ Rewards and Prizes</b>	<b>1,262,387.00</b>	<b>-</b>	<b>1,262,387.00</b>	<b>250,000.00</b>	<b>-</b>	<b>250,000.00</b>
	<b>Confidential, Intelligence and Extraordinary Expenses</b>						
	Extraordinary and Miscellaneous Expenses	375,029.28		375,029.28	175,637.24	7,329.00	182,966.24
	<b>Total Confidential, Intelligence and Extraordinary Expenses</b>	<b>375,029.28</b>	<b>-</b>	<b>375,029.28</b>	<b>175,637.24</b>	<b>7,329.00</b>	<b>182,966.24</b>
	<b>Professional Fees</b>						
	Legal Services	1,200.00		1,200.00			
	Consultancy Services	220,800.00		220,800.00	123,499.99		123,499.99
	Other Professional Services	68,500.00	10,500.00	79,000.00	-	15,900.00	15,900.00
	<b>Total Professional Fees</b>	<b>290,500.00</b>	<b>10,500.00</b>	<b>301,000.00</b>	<b>123,499.99</b>	<b>15,900.00</b>	<b>139,399.99</b>
	<b>General Services</b>						
	Environment/Sanitary Services	24,000.00	6,000.00	30,000.00	39,000.00	6,000.00	45,000.00
	Security Services	15,000.00		15,000.00	180,000.00		180,000.00
	Janitorial Services			-			-
	<b>Total General Services</b>	<b>39,000.00</b>	<b>6,000.00</b>	<b>45,000.00</b>	<b>219,000.00</b>	<b>6,000.00</b>	<b>225,000.00</b>
	<b>Repairs and Maintenance</b>						
	Repairs and Maintenance-Buildings & Other Structures	4,546,462.05	14,146.20	4,560,608.25	761,854.00	560,000.00	1,321,854.00
	Repairs and Maintenance - Machinery & Equipment	137,062.00		137,062.00	82,590.00	-	82,590.00
	Repairs and Maintenance - Transportation Equipment	79,502.00	-	79,502.00	138,006.98	-	138,006.98
	Repairs and Maintenance - Furniture, Fixtures & Books	51,500.00		51,500.00			



	Repairs and Maintenance - Other PPE	6,795.00		6,795.00			-
	<b>Total Repairs and Maintenance</b>	<b>4,821,321.05</b>	<b>14,146.20</b>	<b>4,835,467.25</b>	<b>982,450.98</b>	<b>560,000.00</b>	<b>1,542,450.98</b>
	<b>Taxes, Insurance Premiums and Other Fees</b>						
	Taxes, Duties and Licenses	4,774.06		4,774.06			
	Fidelity Bond Premiums	157,500.00		157,500.00	120,000.00	22,500.00	142,500.00
	Insurance Expenses	4,133.11		4,133.11			
	<b>Total Taxes, Insurance Premiums and Other Fees</b>	<b>166,407.17</b>	<b>-</b>	<b>166,407.17</b>	<b>120,000.00</b>	<b>22,500.00</b>	<b>142,500.00</b>
	<b>Other Maintenance and Operating Expenses</b>						
	Advertising Expenses	5,000.00		5,000.00	12,500.00		12,500.00
	Transportation and Delivery Expenses	195,410.62	350.00	195,760.62	24,099.00	9,000.00	33,099.00
	Rent/Lease Expenses	366,191.00	3,000.00	369,191.00	183,300.00	-	183,300.00
	Membership Dues & Contribution to Organization	90,000.00		90,000.00	15,000.00	109,500.00	124,500.00
	Subscription Expenses	346,984.90	-	346,984.90	364,362.00	-	364,362.00
	Miscellaneous Expenses	6,420.00	-	6,420.00		-	-
	Other Maintenance and Operating Expenses	4,380,250.60	96,635.00	4,476,885.60	1,035,582.83	3,792.00	1,039,374.83
	<b>Total Other Maintenance and Operating Expenses</b>	<b>5,390,257.12</b>	<b>99,985.00</b>	<b>5,490,242.12</b>	<b>1,635,843.83</b>	<b>142,877.78</b>	<b>1,778,721.61</b>
	<b>Total Maintenance and Other Operating Expenses</b>	<b>59,593,753.08</b>	<b>1,237,044.36</b>	<b>60,830,797.44</b>	<b>29,251,105.32</b>	<b>2,113,020.70</b>	<b>31,364,126.02</b>
	<b>FINANCIAL EXPENSES</b>						
	Interest Expenses	5,539.39		5,539.39			
	Bank Charges	3,766.50		3,766.50		20,660.00	20,660.00
	<b>Total Financial Expenses</b>	<b>9,305.89</b>	<b>-</b>	<b>9,305.89</b>	<b>-</b>	<b>20,660.00</b>	<b>20,660.00</b>
	<b>NON-CASH EXPENSES</b>						
	<b>Depreciation Expenses</b>						
	Depreciation-Buildings and Other Structures	2,486,303.83	1,575,290.43	4,061,594.26			
	Depreciation-Machinery and Equipment	5,063,889.21	1,169,614.49	6,233,503.70			
	Depreciation-Transportation Equipment	386,669.84	753.50	387,423.34			
	Depreciation-Furniture, Fixtures and Books	337,744.87	122,205.29	459,950.16			
	Depreciation-Leased Assets	55,780.37		55,780.37			
	Depreciation-Other Property, Plant and Equipment	309,672.10	6,900.00	316,572.10			
	<b>Total Depreciation Expenses</b>	<b>8,640,060.22</b>	<b>2,874,763.71</b>	<b>11,514,823.93</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	<b>TOTAL NON-CASH EXPENSES</b>	<b>8,640,060.22</b>	<b>2,874,763.71</b>	<b>11,514,823.93</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	<b>CURRENT OPERATING EXPENSES</b>	<b>481,760,761.47</b>	<b>4,587,159.52</b>	<b>486,347,920.99</b>	<b>353,608,683.55</b>	<b>5,628,888.38</b>	<b>359,237,571.93</b>

<b>SURPLUS FROM CURRENT OPERATIONS</b>	<b>(481,760,761.47)</b>	<b>11,051,211.35</b>	<b>(470,709,550.12)</b>	<b>(353,608,683.55)</b>	<b>1,434,345.06</b>	<b>(352,174,338.49)</b>
<b>ADD (DEDUCT): TRANSFERS, ASSISTANCE AND SUBSIDY</b>						
<b>Assistance and Subsidy from</b>						
Subsidy from National Government	646,165,859.82		646,165,859.82	414,973,070.09		414,973,070.09
Subsidy from Other Funds	-		-	-	5,932,483.87	5,932,483.87
<b>Total Transfers, Assistance and Subsidy from</b>	<b>646,165,859.82</b>	<b>0.00</b>	<b>646,165,859.82</b>	<b>414,973,070.09</b>	<b>5,932,483.87</b>	<b>420,905,553.96</b>
<b>Assistance and Subsidy To</b>						
Subsidies-Others	(63,000.00)	(125,333.00)	(188,333.00)			
<b>Total Transfers, Assistance and Subsidy To</b>	<b>(63,000.00)</b>	<b>(125,333.00)</b>	<b>(188,333.00)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Financial Assistance/Subsidy</b>	<b>646,102,859.82</b>	<b>(125,333.00)</b>	<b>645,977,526.82</b>	<b>414,973,070.09</b>	<b>5,932,483.87</b>	<b>420,905,553.96</b>
<b>SURPLUS FOR THE PERIOD</b>	<b>164,342,098.35</b>	<b>10,925,878.35</b>	<b>175,267,976.70</b>	<b>61,364,386.54</b>	<b>7,366,828.93</b>	<b>68,731,215.47</b>
<i>This statement should be read in conjunction with the accompanying notes.</i>						

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<b>Cash Flows from Investing Activities:</b>						
<b>Cash Inflows:</b>	-	-	-	-	-	-
<b>Cash Outflows:</b>						
Purchase/Construction of Property, Plant and Equipment	118,218,042.19	7,585,644.29	125,803,686.48	13,048,524.25		13,048,524.25
<b>Total Cash Outflows</b>	<b>118,218,042.19</b>	<b>7,585,644.29</b>	<b>125,803,686.48</b>	<b>13,048,524.25</b>	-	<b>13,048,524.25</b>
<b>Cash Provided by Investing Activities</b>	<b>(118,218,042.19)</b>	<b>(7,585,644.29)</b>	<b>(125,803,686.48)</b>	<b>(13,048,524.25)</b>	-	<b>(13,048,524.25)</b>
<b>Cash Provided by Operating and Investing Activities</b>	<b>(8,018,508.81)</b>	<b>6,167,274.69</b>	<b>(1,851,234.12)</b>	<b>60,293,736.41</b>	<b>(13,048,777.78)</b>	<b>47,244,958.63</b>
Add: Beginning Balance, January 1	84,060,990.88	18,085,657.19	102,146,648.07	23,767,254.47	31,134,434.97	54,901,689.44
<b>Cash End, December 31</b>	<b>76,042,482.07</b>	<b>24,252,931.88</b>	<b>100,295,413.95</b>	<b>84,060,990.88</b>	<b>18,085,657.19</b>	<b>102,146,648.07</b>
<i>This statement should be read in conjunction with the accompanying notes.</i>						

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