

CALBAYOG CITY WATER DISTRICT
J.D Avelino St., Calbayog City, Samar

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

1. Agency Background

The Calbayog City Water District (CCWD) was created pursuant to P.D. 198 otherwise known as the Provincial Water Utilities Act of 1973. As of December 31, 2013, it has 10,513 active concessionaires with 45 permanent employees and is categorized as category – C.

2. Summary of Significant Accounting Policies

- a) The Calbayog City Water District adopts the Commercial Practices System (CPS)-NGAS Modified Chart of Accounts or Unified CPS-NGAS Manual for use by Water Districts. This is in accordance with LWUA Memorandum Circular No. 003-08 dated June 16, 2008.
- b) Depreciation is computed using the straight line method over the estimated useful lives of the related assets, as set forth under COA Circular No. 2003-007 dated December 11, 2003.
- c) No allowance for Bad Debts was set – up for doubtful collectibles.

3. Cash – Collecting Officer

	2013	2012
Cash – Collecting Officer	909,787.83	1,042,713.73

The Cash – Collecting Officer represents the undeposited collections on the last working day of the year, which were deposited on the first working day of the following year.

4. Cash in Bank

Bank Account	2013	2012
PNB Current Account	1,247,954.69	628,896.02
PNB Savings Account	1,239,853.43	150,900.74
PNB Time Deposit (7%)	2,512,159.86	3,155,497.97
PNB Time Deposit (3%) – JSA	5,808,813.83	11,172,388.73
PNB Time Deposit (Customer Deposit)	3,137,586.16	3,103,849.35
Land Bank Current Account	77,861.31	77,723.03
OCCI Account	20,750.69	540.00
Total	14,044,979.97	18,289,795.84

The Cash in Bank – Joint Savings Account (JSA) represents the 3% debt-service reserve based on total gross monthly collections, opened at the Philippine National, Calbayog Branch, in compliance with LWUA requirements in the granting of loans to water districts.

5. Accounts Receivable

	2013	2012
Accounts Receivable	11,793,612.21	8,249,124.14
Less: Allowance for Doubtful Accounts	2,222,764.84	2,222,764.84
Accounts Receivable – Net	9,570,847.37	6,026,359.30

This represents the unpaid water bills of several concessionaires which remain outstanding.

The Allowance for Doubtful Accounts is provided to cover potential losses on Accounts Receivable- Customer.

6. Advances to Officers and Employees

	2013	2012
Advances to Officers and Employees	319,569.90	161,804.50

This account constitutes temporary cash advances given to officers and employees for traveling expenses, emergency purchase and other expenses necessary to carry the operation of the water district.

7. Other Receivables

	2013	2012
Other Receivables	6,177,775.91	6,136,616.71

This account includes all other receivables for installation cost and services and customer loans in the form of materials. This includes also receivable from employees, COA disallowances and other agency like LWUA.

8. Inventories

	2013	2012
Inventories	4,470,146.15	5,606,602.87

This account consists of unissued materials and supplies which are kept in stock for future use by the district.

9. Utility Plant in Service

	2013	2012
Utility Plant in Service	350,332,733.43	348,842,362.82

This includes all tangible assets with an estimated useful life beyond one year and used in the conduct of business operation of the district and are not intended to sale in ordinary course of business.

10. Loans Payable

The details of this account are the following:

Creditors	<u>2013</u>	<u>2012</u>
City Government	526,724.70	752,653.85
LWUA - Regular Loan	149,424,437.04	157,372,880.04
LWUA - Soft Loan	117,723,846.23	117,723,846.23
Total	267,675,007.97	275,849,380.12

PART II – OBSERVATIONS AND RECOMMENDATIONS

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- ✓ 1. **The CY 2013 accounts comprising of Disbursement Vouchers, payrolls, liquidation reports, official receipts, financial reports and journals with their corresponding supporting documents and schedules were not submitted to the Audit Team contrary to COA Circular No. 2009-006 dated September 15, 2009 and other pertinent law, rules and regulations, thus, hindered the conduct of audit thereon and deprived the government of information concerning the validity and propriety of its various financial transactions.**

On submission of accounts, Section 7.2.1 of COA Circular 2009 states that the Chief Accountant, Bookkeeper or other authorized official performing accounting and/or 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.

Whereas Section 7.1.1 of the above rules states that the head of the agency, who is primarily responsible for all government funds and property pertaining to his agency, shall ensure that the required financial and other reports and statements are submitted by the concerned officials in such form and within the period prescribed by the Commission.

In turn, Section 7 of COA Circular No. 94-001 dated January 20, 1994 states that accountable officers shall submit within five (5) days after the end of each month, reports of collections and/or disbursement vouchers (DVs) and other required reports to the Chief Accountant for recording in the books of account.

The above rules are in line with Section 107 of PD 1445 on time and mode of rendering account which provides that in the absence of specific provision of law, all accountable officers shall render their accounts, submit their vouchers, and make deposits of money collected or held by them at such times and in such manner as shall be prescribed in the regulations of the Commission.

Furthermore, Section 4 Rule 1 of the 2009 Revised Rules of Procedures of COA defines accounts as the bookkeeping records, including journals, ledgers, vouchers and other supporting papers; a detailed statement of items of debits and credits.

We monitored the agency's submission of CY 2013 accounts and noted its failure to submit its various accounts for January up to November of 2013 as of December 31, 2013. It also did not submit those of December 2013 in January of 2014. The unsubmitted accounts consist of the following;

Month	Date Due	Name of accounts that were not submitted
January - December	First ten (10) days of the ensuing month	Disbursement vouchers, Payrolls, Liquidation Reports, Official Receipts, Reports of Checks Issued, Reports of Collections and Deposits, Report of Disbursements and Journals with supporting documents
January - November	First ten (10) days of the ensuing month	Trial Balances with schedules
January - December	First ten (10) days of the ensuing month	General and subsidiary ledgers (authenticated copies)

It is evident from the foregoing that submission of accounts for audit is not given priority by the agency including the updating of different accounting records and the books of accounts.

The non-submission of accounts hindered the rendition of audit thereon, in effect, denied the government of information on the validity and propriety of the agency's receipt as well as use of the resources entrusted to it.

The Interim General Manager commented that management was not aware of the rules on submission of accounts, instead were accustomed to audit thereof within the premises of the Water District. However, management promised to comply with the audit recommendations.

✓ **We recommend that management:**

- a) **instruct the Head of the Accounting Section to immediately submit all accounts to the Audit Team at its Official Station in COA Regional Office VIII-Water Districts Office.**
 - b) **instruct the Cashier and all accountable officers to submit the accounts to the Accounting Section within the reglementary period, the same to be covered with transmittal letters as proof thereof.**
 - c) **issue a written policy concerning on time submission of accounts by the Cashier and all accountable officers to the Accounting Section and from the latter to the Audit Team within the prescribed period.**
2. **The agency failed to submit its year-end financial statements on the deadline contrary to Item 3.0 of COA Accounting Circular 2007-003 dated January 19,**

2007, thus hindered the timely audit thereon and deprived the end-users of immediate use of significant financial information.

Item 3.0 of COA Accounting Circular No. 2007-003 states that the Chief Accountant/Head of Accounting Unit shall submit directly to Government Accountancy and Financial Management Information System (GAFMIS) Sector this Commission, and Audit Team Leader (ATL)/Auditor concerned, the year-end Financial Statements (FS) and reports/schedules in printed and digital copies on or before February 14 of each year.

Section 7.1.1 of COA Circular 2009-006 dated September 15, 2009 also states that the head of the agency, who is primarily responsible for all government funds and property pertaining to his agency, shall ensure that the required financial and other reports and statements are submitted by the concerned officials in such form and within the period prescribed by the Commission.

Our records on submission of the agency's 2013 year-end financial statements (FS) disclosed that such were done beyond the deadline. Said submitted FS only included the Balance Sheet, Statement of Income, Cash Flow Statement and Pre-Closing Trial Balance. Further, the first three aforementioned FS were not in the required comparative form.

The following FS and reports/schedules, among others, were not submitted:

- a. Post-Closing Trial Balance with copy of Journal Entry Voucher for the Closing Journal Entries;
- b. Statement of Changes in Equity for CY 2013 with comparative figures for CY 2012;
- c. Notes to Financial Statements;
- d. Statement of Management Responsibility;
- e. Breakdown of Domestic Loans;
- f. Schedule of Taxes and Dividends Paid by the Water District (WD) to the National Government;
- g. Roster of Membership in the Governing Board of WD;
- h. Summary of Discretionary, representation, extraordinary, promotional, confidential and consultancy expenses;
- i. Other relevant schedules.

The non-submission on time of the FS and all supporting documents and schedules hindered the conduct of updated audit thereon and the rendition of information on the agency's results of operations, financial condition and status of cash flows for CY 2013.

Management commented the financial statements will be submitted on time or on the deadline.

We recommend that management instruct its accountant to strictly submit the year-end FS on the deadline. For said measure the hereunder specific procedures are further proposed:

- a) See to it that transactions for each entire year are recorded completely as of December 31 in which case all personnel and the cashier will cause the submission to the accountant for recording in the books of accounts all transaction documents and reports before the end of each year.
 - b) All journals and ledgers shall be updated monthly and ready for closing as of December 31 of each year. Closing of accounts thereafter will take place preferably on the first week of the succeeding year.
 - c) Closing of accounts shall be given specific deadline to ensure its continuous conduct until the required FS and all schedules should have been duly prepared.
3. The correctness and reliability of the Cash in Bank account balance of P14,044,979.97 at year-end could not be ascertained due to the non-submission of bank reconciliation statements contrary to Section 74 of PD 1445.

Section 74 of PD 1445 provides that at the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.

Bank reconciliation is a process of bringing into agreement the cash balance per books and the cash balance per bank records. Through the BRS, management is able to compare its Cash in Bank book balance with the Bank Statements for possible errors/reconciling items and effect the adjustments in either record where the discrepancies or reconciling items lie.

The CY 2013 financial statements of the agency showed that the Cash in Bank-Local Currency has a balance of P14,044,979.97 as of year-end. The amount is composed of current and savings accounts, including time deposits maintained at the following banks, as reflected in the year-end trial balance:

<u>Bank Account</u>	<u>Amount</u>
PNB Current Account	P 1,247,954.69
PNB Savings Account	1,239,853.43
PNB Time Deposit (7%)	2,512,159.86
PNB Time Deposit (3%)	5,808,813.83
PNB Time (Customer Deposit)	3,137,586.16
Land Bank Current Account	77,861.31
OCCI Account	<u>20,750.69</u>

Total

P 14,044,979.97

It was observed that management has not submitted the Bank Reconciliation Statements for the above accounts. Said omission was permitted despite the substantial amount of funds which comprised 4.09% of the total assets as of year-end.

The failure to submit the BRS resulted to difficulty in ascertaining the accuracy and correctness of the Cash in Bank balance at year end. Further, with said deficiency errors committed by the bank cannot be likewise promptly corrected. Said deficiency renders as unreliable the reported balance for cash in bank per the agency's financial statements as of year-end.

Management commented that thru a memorandum, the Accounting Section will be directed to submit the BRS for all the accounts maintained with the depository banks at the close of each month or on a monthly basis.

We recommend that the Accounting Division be directed to submit regularly for audit the Bank Reconciliation Statements covering all accounts maintained with the agency's depository banks on a monthly basis.

- ✓ 4. **The approved contracts, purchase orders and other pertinent documents were not submitted to the Auditor within the reglementary period as provided in COA Circular No. 2009-001 and COA Circular No. 95-006, thus, resulting in the delayed review of such documents and in the process deprived management of information on errors committed concerning its procurements prior to any payment.**

COA Circular No. 2009-001 dated February 12, 2009 provides that within five (5) working days from the execution of a contract by the government or any of its subdivisions, agencies or instrumentalities, including government-owned and controlled corporation and their subsidiaries, a copy of said contract and each of all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned. Accordingly, copy of any purchase order irrespective of the amount, and each every supporting document, shall within five (5) working days from issuance thereof, be submitted to the Auditor concerned and that within the same period, the Auditor shall review and point out to management defects and or deficiencies, if any.

Moreover, COA Circular No. 95-006 dated May 18, 1995 prescribes among others, the following rules and regulations.

- 1) The official responsible for or in charge of accepting deliveries of procured items shall within twenty-four (24) hours from such acceptance, shall notify the auditor of the time and date of the scheduled deliveries.
- 2) Inspection of consumable and perishable items as well as unserviceable and disposable government property and other assets, shall be conducted by

management. A copy of the report of inspection or its equivalent shall be submitted to the Head of the Auditing Unit within twenty-four (24) hours from acceptance of the items delivered and, in the case of unserviceable and disposable property/assets, immediately after inspection thereof by management.

A verification of the financial statements for CY 2013 revealed that there were increases in balances for the properties under Property, Plant and Equipment. Whereas expenses were reflected per said statements to have been incurred for various supplies and materials. Despite the recorded entries, no copies of contracts and Purchase Orders for any undertaken procurements were submitted to the Audit Team. Neither were said documents submitted for post-audit purposes until the end of the year. It was evident that there was no compliance with the mandated submissions.

Management's failure to furnish the Auditor with copies of contracts, purchase orders and their supporting documents prevented the conduct of review and verification of contract terms and conditions prior to any undertaking of payments. Likewise, ocular validation and inspection could not be undertaken at the most proximate period where the evidence of completion or accomplishment is still verifiable. On the other hand, aside from the irregularity of the practice, the deficiency precluded the opportunity of identifying errors inherent in procurements prior to their payment for the purpose of preventing the incurrence of invalid expenses.

Management commented that the Accounting Section will be given a directive relative to the submission of POs and Contracts within the prescribed period.

We recommend for management to furnish the Audit Team with copies of Purchase Orders (POs) and Contracts together with their respective supporting papers within five (5) days from perfection/execution.

- ✓ 5. **Expenditures for fuel, oil and lubricants were not supported with duly accomplished driver's trip tickets and monthly report of fuel consumption in violation of COA Circular No. 75-6 dated November 7, 1975, thus reported quantities on fuel consumptions remained not ascertained as appropriate and reasonable.**

Item V (1) COA Circular No. 75-6 dated November 7, 1975 states these rules: a) the use of government motor vehicles by the bureaus and offices shall be authorized only through the issuance of each trip ticket, duly signed by the Chief or the Administrative Officer of the bureau, office or entity concerned; b) at the end of each month, the date shown on all the trip tickets issued during the month should be transcribed or summarized in chronological order in a Monthly Report of Official Travels to be accomplished by the driver of each car concerned; and c) the Monthly Report of Official Travels should be accomplished in triplicate, the original thereof supported by all the Driver's Trip Tickets, to be submitted, thru the administrative officer (or equivalent officer) of the bureau,

office or entity concerned, to the auditor thereof, the duplicate to be kept by the bureau, office or entity, and the triplicate to be retained by the driver.

Furthermore, Section 4(2) of PD 1445 provides that government funds or property shall be spent or used solely for public purposes.

The CY 2013 year end statement of income and trial balance of the water district disclosed that there were expenses for gasoline, oil and lubricant as well as fuel amounting to P228,326.84 and P760,624.78, respectively. However, the duly accomplished Driver's Trip Tickets (DTT) and Monthly Report of Official Travels were not submitted to the Audit Team for audit.

The non-submission of necessary documents to support the questioned payments hindered the ascertainment of expenses as to their use for public purpose. Said defect likewise deprived an audit on the transactions primarily to determine whether consumptions of procured items were necessary and reasonable. Furthermore, the absence of documents to support transactions will give rise to either their suspension or disallowance during post-audit.

Management justified that the mentioned requirements are now complied with as far as fuel, oil and lubricants expenditures are concerned and that, this can be checked until the related accounts are submitted for post-audit.

✓ **We recommend that management strictly comply with the requirements on submission of documentations to support the propriety as well as reasonableness of the agency's fuel consumption. Specifically, it should require concerned drivers to submit duly approved and properly accomplished Driver's Trip Tickets with the Monthly Report of Official Travels.**

PART III

**STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT
RECOMMENDATIONS**

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STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT
RECOMMENDATIONS**

The nineteen (19) audit recommendations contained in the 2007 Annual Audit Report, were not implemented which are summarized as follows:

Presented below is the details of the status of implementation:

Audit Observations	Recommendations	Ref.	Management Action	Status of Implementation	Reasons for Partial/ Non-Implementation
<p>1. Accuracy on the account balance of Utility Plant in Service in the amount of P357M cannot be ascertained due to non reconciliation of property and accounting records, incomplete subsidiary ledgers for each sub accounts, equipment ledger cards not maintained, classification of account in the inventory report differs with that of the accounting schedule of UPIS and serviceable properties amounting to P801,519.84 were still in the report.</p>	<p>We recommend that management:</p> <ul style="list-style-type: none"> a. Directs the head of Accounting Section to maintain prescribed and complete subsidiary ledgers from the UPIS account and Property Officer to maintain complete and updated Property Ledger Cards at all times: b. Directs the Head of the Accounting Section to prepare reconciliation of Subsidiary ledgers with the Property ledger Cards and report errors noted in either records as basis for adjustment. c. Directs the respective Division Chiefs of the Accounting and Property Section monitors faithful compliance of the above recommendation; d. Initiate disposal of all unserviceable properties in accordance with Property and Supply Management Guidelines. 	<p>F-1 AAR 2007</p>			<p>Management did not submit information or comment.</p>

Audit Observations	Recommendations	Ref.	Management Action	Status of Implementation	Reasons for Partial/ Non-Implementation
2. The Accumulated Depreciation with a book balance of P25,998,392.42 and its related Depreciation expense is still inaccurate since adjustments were not made on the accounts in CY 2006 and prior years. Lapsing schedule was prepared for CY 2007.	We recommend that management implement previous year's recommendations in order that misstatements in account balances arising from errors in recording transactions are adjusted. Effect the adjustment on the understatement of account UPIS, Accumulated Depreciation and Retained Earnings for the Suzuki Multi cab.	F-2 AAR 2007			Management did not submit information or comment.
3. The water district purchased one (1) unit Mitsubishi Estrada Double cab-Pick up service vehicle worth P1.1M, contrary to the provisions of LWUA Loan Agreement.	We recommend that the water district must strictly adhere to the conditions set forth in the loan contract with LWUA for an improved operation. Submit the approved authority from LWUA for the purchase of the service vehicle. Strictly follow the account names/account codes in the recording of transaction to avoid misleading information.	F-3 AAR 2007			Management did not submit information or comment.
4. Account Materials and Supplies Inventory with account code No. 131 is used to record purchases from supplies to other assets under Utility Plant account, contrary to the provisions of the existing LWUA Commercial Practices Manual for Water Districts.	We recommend that management ensures that prescribed accounts are used in recording transactions by requiring review of recorded entries by the Chief of Administrative/Financial Service Division and prepare the necessary adjusting entries on UPIS recorded as materials and supplies inventory.	F-4 AAR 2007			Management did not submit information or comment.
5. Stale checks amounting to P6,268.00 appears as reconciling items	Require the bookkeeper Designate to retrieve the long outstanding checks and	F-5 AAR 2007		Not implemented.	Management did not submit comment. A

Audit Observations	Recommendations	Ref.	Management Action	Status of Implementation	Reasons for Partial/ Non-Implementation
(outstanding checks) in the Bank Reconciliation Statement for December 2007.	prepare the necessary adjusting entries.				similar audit observation is reiterated in Observation no. 3 of the report
6. Subsidiary ledgers for each bank account were not maintained.	Require the accounting division to maintain subsidiary ledgers for each bank account, reconcile with the controlling account monthly and prepare regularly the bank reconciliation statements on all bank accounts in order to know the condition of the agency's account with the bank.	F-6 AAR 2007		Not implemented.	Management did not submit comment. A similar audit observation is reiterated in Observation no. 3 of the report.
7. The Accounts Receivable-General Customers P 8.1M balance as of December 31, 2007 classified under Current Assets, included customers account totaling P22M were outstanding for one (1) year or more.	Require the Accounting Section to prepare a detailed Aging Schedule for accounts Receivables that are more than one (1) year more and reclassify those balances to Non-current assets.	F-7 AAR 2007			Management did not submit information or comment.
8. The balance of Accounts Receivable - Others of P90,733.14 does not reconcile with the corresponding subsidiary ledgers/reports of P149,097.76 or a difference of P58,364.62. Included in the account are receivables from other Water Districts for more than ten(10) years or more.	We recommend that the Manager of the Commercial Services Division and Accounting Section should designate personnel from their respective divisions to reconcile monthly, the totals of the schedules prepared by the CSD and the GL balances prepared by the Accounting Section. We also recommend the CSD to issue collection letters supported with detailed statement of their accounts. Send tracers to the debtors until there are fully paid.	F-8 AAR 2007			Management did not submit information or comment.
9. Recording of Customers	We recommend that	F-9			Management did

Audit Observations	Recommendations	Ref.	Management Action	Status of Implementation	Reasons for Partial/ Non-Implementation
<p>deposit to Accounts Receivable-Others (materials) was inappropriate thus, affecting its accuracy and other related accounts.</p>	<p>management follow the provisions of the Commercial Practices Manual for Water Districts in recording Customers' Deposit or use account Deferred Credits-Income for deposits of customers.</p> <p>Require the Supply Officer to submit monthly the Summary of Installed meters during the month for proper adjustments on accounts Deferred Credits and Income.</p>	<p>AAR 2007</p>			<p>not submit information or comment.</p>
<p>10. The advances to officers and employees amounting to P132,398.98 remained unliquidated for 3 months to one year or more contrary to the provisions of Sec. 89 of PD 1445 and other COA issuances that pertain to the granting, utilization and liquidation of cash advances.</p>	<p>We recommend that management directs the Accountant to enforce and monitor compliance of the above-cited law and regulations n cash advances for travels and for other purposes. Issue demand letters for the return of excess or unused cash advance from the employees and officers concerned.</p>	<p>F-10 AAR 2007</p>			<p>Management did not submit information or comment.</p>
<p>11. The variance of P2.8 Million between the Physical Inventory Report and recorded accountability for Materials and Supplies Inventory (MSI) cast doubt on the reliability of the MSI balance of P4.05 Million.</p>	<p>Require the assigned employee at the Finance Division and the Storekeeper to closely coordinate and perform the immediate reconciliation of the Material and Supplies Inventory Account and the Inventory Report to determine missing or lost supplies and correct errors in posting and recording, if any.</p> <p>Implement previous audit recommendations in the maintenance of the stock cards, supplies ledger card and other records necessary</p>	<p>F-11 AAR 2007</p>			<p>Management did not submit information or comment.</p>

Audit Observations	Recommendations	Ref.	Management Action	Status of Implementation	Reasons for Partial/ Non-Implementation
	to facilitate the reconciliation.				
<p>12. Material differences between LWUA and CCWD balances for Loans Payable – P10.8M, Current Portion of the Long Term Debt (P13.3M) and Accrued Interest Payable – (P39.6M) because of the following:</p> <ul style="list-style-type: none"> a. Differences in the applications of loan payments: b. Non-performance of recollection procedures on loan accounts. 	<p>We therefore recommend that the General Manager, requests LWUA a copy of the Journal Vouchers of Subsidiary Ledger showing the application of loan payments of CCWD; direct the Head of the Accounting Division to check the accuracy of amounts applied to interest and principal based on the Loan agreement and effect adjustment when appropriate</p>	<p>F-12 AAR 2007</p>			<p>Management did not submit information or comment.</p>
<p>13. The Joint Reserve Account with LWUA under PNB No. 6-1619-0000611-001 which the Water District maintained in compliance with the loan contract requirement of Debt Servicing Reserves has only a balance of P337,977.28 inclusive of interests as of December 31, 2007, contrary to the one(1) year debt service requirement as provided for in Section 8 of Article VI of the Loan Contract – LA No. 4-1635R.</p>	<p>We recommend that the WD should strictly comply with the reserve requirements provided in the Loan Contract to ensure the periodic repayments of its loan from LWUA, especially during times when its paying capacity has been seriously reduced due to its facilities or assets caused by natural calamities, public disorder, force majeure or other unforeseen or unavoidable occurrences.</p>	<p>F-13 AAR 2007</p>			<p>Management did not submit information or comment.</p>
<p>14. Purchases of Materials and Supplies of P1,378,191.19 were not done through competitive bidding nor comply with the requirements for alternative methods of procurement prescribed in the implementing Rules and Regulations of Republic Act No. 9184, otherwise known as the Government Procurement Reform Act.</p>	<p>We recommend that the General Manager as the head of the procuring entity ensures that the Procurement Law RA 9184, is strictly observed.</p>	<p>F-14 AAR 2007</p>			<p>Management did not submit information or comment.</p>
<p>15. Board of Director's Year-end</p>	<p>We recommend that</p>	<p>F-15</p>			<p>Management did</p>

Audit Observations	Recommendations	Ref.	Management Action	Status of Implementation	Reasons for Partial/ Non-Implementation
Financial Assistance (YEFA) and Cash Gift totaling P120,720.00 shall be disallowed because the authority used is Resolution No. 239 CY 2005, LWUA Circular No. 011-06 dated August 28, 2006 and LWUA Memorandum Circular No. 001-07 dated December 18, 2006.	management suspends the grant of YEFA to BODs until final resolution of the issue.	AAR 2007			not submit information or comment.
16. Reimbursement of expenses of the General Manager totaling P26,625.80 recorded as Extraordinary and Miscellaneous Expenses (EME) has no legal basis.	Stop the payment of extraordinary and miscellaneous expenses of the GM. Any expenses that he may incur in connection with improving the general image of the District which is inherent to his position as GM may be appropriately charged to his RATA or Representation and Entertainment Expense of the District.	F-16 AAR 2007			Management did not submit information or comment.
17. Additional benefits of P14,403.45 was granted to the 6 th member of the Board of Director who is organic personnel of LWUA.	We recommend the following: 1. Discontinue the grant of additional benefits to the 6 th member of the BOD. 2. Require the refund of the excess amount of P14,403.45 representing unauthorized hotel accommodations and cell cards collected from the District.	F-17 AAR 2007			Management did not submit information or comment.
18. Payment of financial Assistance is not authorized	1. Require the above-mentioned employees to	F-18 AAR			Management did not submit

Audit Observations	Recommendations	Ref.	Management Action	Status of Implementation	Reasons for Partial/ Non-Implementation
<p>and without legal basis amounting to P485,409.15.</p>	<p>refund the amount of P 485,409.15 without legal basis.</p> <p>2. Require management to show proof that such was already being enjoyed by its employees prior to the enactment of RA 6758.</p> <p>This is a reiteration of prior year's audit recommendation. The explanation and the supporting documents submitted to support the grant of Financial Assistance were the same in CY 2006. Management could have requested for a reconsideration to resolve the issue.</p> <p>The audit team stands firm that the monthly financial assistance is without legal basis. The water district did not present the required documents under Corporate Compensation Circular No. 12 dated Mach 20, 2006, Implementation of Judicial Decisions Authorizing Grant of additional allowance to government owned and or/Controlled corporations (GOCCs) and government financial institutions (GFIs).</p>	2007			<p>information or comment.</p>

Audit Observations	Recommendations	Ref.	Management Action	Status of Implementation	Reasons for Partial/ Non-Implementation
<p>19. Pertinent provisions of Administrative Order No. 103 and Executive Order 298 were not duly observed in the processing and payment of travel claims, thereby resulting in audit disallowances totaling P43,189.20.</p>	<p>We enjoin the Accounts Processor to properly observe pertinent provisions of EO 298 in the processing of travel claims to avoid audit disallowances.</p> <p>Also we encourage persons liable for the audit disallowances to make the necessary refund of the excessive amounts of travel expenses they claimed from the District.</p>	<p>F-19 AAR 2007</p>			<p>Management did not submit information or comment.</p>