

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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, 2014, it has 10,901 active concessionaires with 45 permanent employees and is categorized as Category –B.

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

	2014	2013
Cash – Collecting Officer	551,097.66	909,787.83

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	2014	2013
PNB Current Account	2,299,019.47	1,247,954.69
PNB Savings Account	1,740,410.78	1,239,853.43
PNB Time Deposit (7%)	3,194,700.19	2,512,159.86
PNB Time Deposit (3%)	3,056,686.89	5,808,813.83
PNB Time Deposit (Customer Deposit)	3,155,026.20	3,137,586.16
Land Bank Current Account	77,940.61	77,861.31
OCCI Account	20,750.69	20,750.69
LBP (Pasungon Current Account)	1,257,630.58	-
PNB waterbill payment	10,000.00	-
Total	14,812,165.41	14,044,979.97

The Cash in Bank – PNB Time Deposit (3%) 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	2013
Accounts Receivable	11,135,267.90	11,793,612.21
Less: Allowance for Doubtful Accounts	2,222,764.84	2,222,764.84
Accounts Receivable – Net	8,912,503.06	9,570,847.37

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

	2014	2013
Advances to Officers and Employees	156,321.30	319,569.90

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

	2014	2013
Other Receivables	6,169,530.75	6,177,775.91

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

	2014	2013
Inventories	4,597,823.02	4,470,146.15

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

9. Utility Plant in Service

	2014	2013
Utility Plant in Service	351,423,445.69	350,332,733.43

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	2014	2013
City Government	68,962.16	526,724.70
LWUA - Regular Loan	140,423,495.04	149,424,437.04
LWUA - Soft Loan	117,723,846.23	117,723,846.23
Total	258,216,303.43	267,675,007.97

PART II – AUDIT OBSERVATIONS AND RECOMMENDATIONS

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1. **Management did not submit to the Audit Team on time the monthly trial balances with schedules in contradiction to Section 122 of PD No. 1445 and COA Circular No. 2009-006 dated September 15, 2009, thus no year-end financial statements were produced on the prescribed deadline including the corresponding supporting schedules/reports pursuant to COA Accounting Circular Letter No. 2007-003 dated January 19, 2007.**

Section 122 of PD No. 1445 states that 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 function.

Item 3.1 of COA Accounting Circular Letter 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 following year-end financial statements and reports/schedules in printed and digital copies on or before February 14 of each year:

- a. Pre-Closing Trial Balance
- b. Post-Closing Trial Balance
- c. Detailed and Condensed Statements of Income and Expenses
- d. Detailed and Condensed Balance Sheets
- e. Statement of Changes in Equity
- f. Statement of Cash Flows (Direct Method)
- g. Notes to Financial Statements
- h. Statement of Management Responsibility
- i. Breakdown of Personal Services
- j. Breakdown of Maintenance and Other Operating Expenses
- k. Schedule/Aging of Accounts Payable
- l. Schedule/Aging of Accounts Receivable
- m. Breakdown of Domestic/Foreign Loans (indicate whether these are guaranteed by National Government)
- n. Schedule of Subsidies Received from National Government and Other GOCCs (if applicable)
- o. Schedule of Income Taxes Paid
- p. Schedule of Dividends Paid

Item 3.2 of the rule further states that the printed and digital copies of the reports required under 3.1 shall be stamped received by the ATL/Auditor to ensure that the data

submitted to GAFMIS Sector are the same data submitted to the ATL/Auditor for the Annual Audit Report preparation.

Section 7.1.1 of COA Circular No. 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.

Management was not able to submit promptly the agency's monthly trial balances from January to November, 2014 including their corresponding schedules. Nor was it able to submit the interim FS including the mandated supporting statements or schedules. This omission occurred despite the existence of various transactions for the agency's regular operations. Furthermore, the year-end FS were likewise not submitted including any of the supporting schedules and reports.

The omission in the submission of monthly trial balances and all supporting schedules/statements which is an irregular practice incapacitated the management to regularly maintain updated information concerning the results of the agency's various financial operations and condition. Further, the deviation also resulted in the non-submission of the year-end financial statements.

The OIC – General Manager (OIC – GM) commented that it was the transition period of the new management and that the previous authorized Interim General Manager was not around to sign the financial statements because he reported to his mother office at LWUA, and waited for his presence to sign the said documents.

However, the current management should not have waited for the previous agency head and should have been signed by the incumbent OIC – GM duly reflecting in the Statement of Management's Responsibility for Financial Statements the date such document was signed. The rest of the financial statements can be duly certified by the designated accountant.

We recommend that management strictly cause the submission of year-end financial statements complete with supporting schedules/data/reports made possible thru regular updating during any year, of all accounting records and the books of accounts, in the process, capacitate the accounting unit to turn-over for audit monthly trial balances and their corresponding schedules and/or attachments.

- 2. Some of the Calendar Year (CY) 2014 accounts 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 with the government left without complete information concerning the validity and propriety of the agency's various financial transactions.**

On submission of accounts, Section 7.2.1 of COA Circular 2009-006 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 rule 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 2014 accounts and noted the omission in submitting for audit some of its various accounts for January up to November, 2014 as of December 31, 2014. It also did not submit those of December 2014 on January of 2015. The unsubmitted accounts consist of the following;

Month	Date Due	Name of accounts that were not submitted
October - 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, Reports of Disbursements and Journals with supporting documents
September	First ten (10) days of the ensuing month	Payrolls, Liquidation Reports, Report of Disbursements and Journals with supporting documents
July - December	First ten (10) days of the ensuing month	Disbursement vouchers, Payrolls, Liquidation Reports, Official Receipts,

Month	Date Due	Name of accounts that were not submitted
		Reports of Checks Issued, Reports of Collections and Deposits, Reports of Disbursements and Journals with supporting documents for LBP account no. 2172-1060-91(National Greening Program)
January - November	First ten (10) days of the ensuing month	Trial Balances with schedules
November - December	First ten (10) days of the ensuing month	General and subsidiary ledgers (authenticated copies)

Although a copy of the September, 2014 trial balance was submitted to the team on November 11, 2014, this document was not supported with the required schedules. The other accounts submitted also lacked the corresponding journals. It is evident from the foregoing that submission of accounts for audit is not given priority by the agency.

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 deficiency is a reiterated one, part of the observations raised in the CY 2013 Annual Audit Report.

During the exit conference, the OIC – General Manager of CCWD commented that the accounts will be submitted.

We recommend that management:

- a) **instruct the Head of the Accounting Section to immediately submit all accounts to the Audit Team.**
- b) **instruct the Cashier and all accountable officers to practice the submission of 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.**

3. The correctness and reliability of the Cash in Bank account balance 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 Bank Reconciliation Statement (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 September, 2014 trial balance of the agency showed that the Cash in Bank-Local Currency has a balance of P19,466,516.29. The amount is composed of current and savings accounts, including time deposits maintained at the following banks:

<u>Bank Account</u>		<u>Amount</u>
PNB Current Account	P	8,039,469.71
PNB Savings Account		1,673,052.30
PNB Time Deposit (7%)		2,671,033.92
PNB Time Deposit (3%)		2,521,283.54
PNB Time (Customer Deposit)		3,150,735.75
Land Bank Current Account		77,940.61
OCCI account		20,750.69
LBP (Pasungon Current Account)		1,302,249.77
PNB waterbill payment		10,000.00
Total	P	<u>19,466,516.29</u>

It was observed that management has not submitted the Bank Reconciliation Statements for the above accounts. It was also noted that one Land Bank of the Philippines current account was not reflected in said trial balance which showed a P10,000.00 balance per the July 31, 2014 subsidiary ledger no. 107-9, Land Bank – GNP. This account is for the National Greening Program.

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

During the exit conference, the OIC - General Manager mentioned the bank reconciliation statements will be submitted.

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

- 4. Management maintains bank accounts with private entities such as the Philippine National Bank and the Metro Ormoc Community/Multi-Purpose Cooperative without securing prior approval from the Department of Finance (DOF), contrary to DOF Order No 27-5 dated December 9, 2005 as reiterated under Bangko Sentral ng Pilipinas (BSP) Circular Letter dated March 14, 2006 thus rendering as not valid the continued use of said depository which irregularly placed public funds beyond the control of the government, in the process, consistently endangering the assets to loss or misuse.**

Department Order No. 27-5 dated December 9, 2005 requires all government agencies to deposit their funds and maintain depository accounts with the Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP). By way of exception, and subject to prior approval of DOF, they may likewise deposit their funds and maintain depository accounts with banks where government has shares of stocks or which are allowed by law to be government depository banks such as, Philippine National Bank (PNB), Philippine Postal Bank (PPB), thrift, rural and cooperative banks, etc.

Likewise, the BSP issued a Circular Letter dated March 14, 2006 instructing all Provincial, City/Municipal Treasurers, Commissioners of Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC), Heads of attached agencies of the DOF and Heads of all Government Owned and Controlled Corporations (GOCCs) to secure prior DOF approval if they are to deposit their funds and maintain depository accounts with banks other than LBP and DBP. Private Banks are reminded to take appropriate measures to ensure that government offices and/or agencies that maintain deposit accounts with them have complied with this recent DOF directive, otherwise, affected deposit accounts may have to be closed.

The audit disclosed the agency's maintenance of depository account with private entities which per the available records dated September 30, 2014 grossed to P18,086,325.91. Transactions with private banks such as Philippine National Bank and the Metro Ormoc Community/Multi-Purpose Cooperative were various and regular. Whereas funds deposited with the agency's government depository amounted only to P1,380,190.38 as of the mentioned month, with those under the private banks comprising 93% of the total cash in bank; thus, showing the latter as the preferred depositories.

Aside from being an invalid practice, the use of a private entity as regular depository for the agency's funds put said resources beyond the control of the government in terms of compliance with various laws and regulations specifically on reporting, procedures and administration of assets. This circumstance endangers

significant amounts of public funds to loss or misuse including concealment on their status as the lack of intervention of the government put the assets under the exclusive care of private entities. In addition, since not authorized, the continued deposit of funds with the private banks shows management's option of tolerating invalid processes while administering public resources.

During the exit conference, the OIC – General Manager commented that the audit recommendation will be complied with.

The General Manager should secure approval from the DOF to maintain depository accounts with the Philippine National Bank and Metro Ormoc Community/Multi-Purpose Cooperative. This is to be complied with, otherwise management is advised to close the questioned bank accounts. In addition, it is of significance to emphasize that since not affected by various government rules on deposits, assets while in said depository may not be adequately secured against loss or misuse.

- 5. The prescribed accounting journals were not used to record certain transactions contrary to Section 121(2) of Presidential Decree (PD) No. 1445 and the New Government Accounting System (NGAS) Manual for Government-Owned and/or Controlled Corporations (GOCCs), thus verification of the correctness and accuracy of the financial records is not facilitated.**

Section 121(2), PD 1445 states that the financial statements shall be based on official accounting records kept in accordance with law and the generally accepted accounting principles and standards.

Item II of the NGAS Manual for GOCCs defines NGAS as a simplified set of accounting concepts, guidelines and procedures designed to ensure correctness, completeness and timeliness in the recording of government financial transactions and production of financial reports.

Further, Section V of the same Manual states that the regular agency books under the manual system of government accounting shall consist of journals and ledgers as follows:

1. Journals
 - a. Cash Receipts and Deposits Journal
 - b. Cash Disbursements Journal
 - c. Check Disbursements Journal
 - d. General Journal

NGAS prescribes the use of the above journals to wit:

1. Cash Receipts and Deposits Journal shall be used to record all collections and deposits reported during the month for the Regular Agency Books;
2. Cash Disbursements Journal shall be used to record all payments made in cash by the Regular/Special Disbursing Officers out of their cash advances;
3. Check Disbursements Journal shall be used to record check payments made by the Cashier or Disbursing Officers and;
4. General Journal shall be used to record all transactions which cannot be recorded in the Cash Receipts and Deposits Journal, Cash Disbursements Journal and the Check Disbursements Journal.

Accounting records showed that the agency maintained the Check Register, Cash Receipts Register, Journal Voucher Register, Materials and Supplies Issued Journal and the Billing Register, instead of using the journals prescribed under the NGAS Manual for Corporate.

These registers and journal were not submitted together with the disbursement vouchers, payrolls and official receipts. Likewise the reports submitted for check disbursements, collections and other transactions submitted were not NGAS compliant.

The soft copies of the Journal Voucher Register (JVR) showed that the liquidations of cash advances by the Disbursing Officer were recorded in this JVR. Said transactions should have been recorded in the Cash Disbursements Journal based on the Report of Disbursements. The entries in the Check Register and Check Voucher Register should have been recorded in Check Disbursements Journal. Likewise, other transactions recorded in the Journal Voucher Register, Materials and Supplies Issued Journal (MSIJ), and Billing Register should have been recorded in the General Journals based on the Journal Entry Vouchers with supporting documents.

The erroneous practice of recording the transactions in the registers and MSIJ is confusing and only makes the recording of transactions complicated. The recording process could have been simplified and summarized in the appropriate books of original entry by following the guidelines set forth in recording transactions under the NGAS. Further, the verification of the correctness and accuracy of the financial records is not facilitated.

During the exit conference, the OIC – General Manager commented that the audit recommendations will be complied with.

The General Manager should require the Accountant to use the appropriate accounting records pursuant to the NGAS Manual for the agency to maintain complete set of books of accounts in turn facilitate the verification of the correctness and accuracy of the financial records.

6. **Management uses the Check Voucher (CV) to evidence all disbursements instead of the prescribed Disbursement Voucher (DV), does not prepare the**

Budget Utilization Request (BUR) and neither maintains the Registry of Budget and Utilization (RBU) contrary to COA Circular No. 2006-004 dated January 31, 2006, resulting in absence of documents and records to maintain and control the budgetary accounts.

COA Circular No. 2006-004 dated Jan. 31, 2006, restates with amendments to COA Circ. No. 2005-001 on the policies related to the budget, accounting and disbursement functions in Government Owned and/or Controlled Corporations under the NGAS. It prescribes the use of the revised forms in recording budget utilization and disbursements.

Further, it sets forth the responsibilities of the Heads of Requesting Unit, Budget Unit, and Accounting Unit as follows:

1. The Head of the Requesting Unit shall prepare the Budget Utilization Request (BUR)-Annex A and the Disbursement Voucher (DV) - Annex B and certify on the necessity and legality of charges to budget under his supervision. He shall also certify the validity, propriety and legality of supporting documents.
2. The Head of the Budget Unit shall certify the availability of budget and maintain the Registry of Budget and Utilization (RBU) - Annex C.
3. For contract or purchase order, the Head of the Accounting Unit shall certify the availability of funds based on the BUR duly certified by the Head of the Budget Unit.
4. The Head of the Accounting Unit shall certify the completeness of supporting documents in the DV.

Audit disclosed that management utilized the Check Voucher instead of using the prescribed Disbursement Voucher. There were no Budget Utilization Requests attached to the disbursement made. Further, there were no Registries of Budget and Utilization maintained by management.

The above practice is not in accordance with the budgetary process. The deficiency also resulted in absence of documents and records to monitor and control the budgetary accounts.

During the exit conference, the OIC – General Manager commented that the audit recommendations will be implemented.

Management should use the Disbursement Voucher for every disbursement and Budget Utilization Request (BUR) covering charging against pertinent budgetary allocation of each incurred expenditure for clarity of the various responsibilities

including accountabilities. In addition use of Registry of Budget Utilization shall be directed to summarize all issued BURs in effect provide ready data on incurred expenses as well as utilized budgetary allocations.

7. Some Account Titles presented in the financial statements are not yet in compliance with the Revised Philippine Government Chart of Accounts (PGCA) contrary to COA Circular No. 2008-001 dated January 29, 2008 and LWUA Memorandum Circular No. 003-08 thereby defeating the purpose in the implementation of the unified accounting system.

COA Circular No. 2008-001 provides for hereunder quoted parts:

“This Circular is issued to prescribe the use of a more comprehensive Chart of Accounts to respond to the information needs of various government agencies in implementing the New Government Accounting System (NGAS), xxx The Revised Philippine Government Chart of Accounts (PGCA) shall be used by National Government Agencies, Local Government Units, and Government Owned and/or Controlled Corporations except government banks, the Government Service Insurance System and the Social Security System.”

Likewise, Local Water Utilities Administration (LWUA) Memorandum Circular No. 003-08 dated June 16, 2008 prescribes the Commercial Practices System-New Government Accounting System (CPS-NGAS) Modified Chart of Accounts for use of Water Districts. It states that it put together and came up with the CPS-NGAS Chart of Accounts to facilitate the implementation of a unified accounting system that conforms to LWUA’s regulatory and reportorial requirements and the New Government Accounting System prescribed by COA.

Review and analysis of the financial statements disclosed that some account titles are not yet in conformity with the revised Philippine Government Chart of Accounts. Although the Local Water Utilities Administration (LWUA) already provided the Water Districts with uniform general ledger and subsidiary ledger accounts embodied in the CPS-NGAS Modified Chart of Accounts, management continued using old and/or inappropriate account titles, consisting of the following:

Old and Incorrect Account Titles		Account Titles prescribed under PGCA	
Code	Account Title	Code	Account Title
104	Cash Fund	105	Cash – Collecting Officer
168	Materials and Supplies Inventory	169	Other Inventories
208	Laboratory Equipment	208	Medical, Dental & Laboratory Equipment
308	Accumulated Depreciation – Laboratory Equipment	308	Accumulated Depreciation – Medical, Dental Laboratory Equipment
412	Due to National Government	412	Due to National Government Agencies SL – BIR, Withholding Tax Payable – Employees SL – BIR, Withholding Tax Payable – Suppliers

Old and Incorrect Account Titles		Account Titles prescribed under PGCA	
Code	Account Title	Code	Account Title
426	Accrued Light and Power	429	Other Payables SL – Accrued Light and Power
427	Accrued Fuel and Lubricants	429	Other Payables SL – Accrued Fuel and Lubricants
428	Accrued Wages Payable	429	Other Payables SL – Accrued Wages Payable
434	Loans Payable	433	Loans Payable SL – Current Portion of Long Term Debts
618	Other Business/Service Income	618	Other Business and Service Income
619	Fines /Penalties – Business Service Income	619	Fines and Penalties – Business and Service Income
768	Utility Expense- Water	768	Water
781	Insurance Premiums	781	Insurance/Reinsurance Premiums
845	General Services	845	General/Janitorial Services
908	Depreciation Expenses – Laboratory Equipment	908	Depreciation – Medical, Dental & Laboratory Equipment
none	NRP	*	Appropriate expense account titles (provide account code)* SL – Non-Revenue Reduction Program (NRP), appropriate expense account

Management's failure to adopt the prescribed Government Chart of Accounts defeated the purpose in the implementation of the unified accounting system.

During the exit conference, the OIC – General Manager commented that the audit recommendations will be complied with.

We recommend that the Accountant be directed to convert the pertinent account titles to that prescribed under COA Circular No. 2008-001 dated January 29, 2008 and LWUA Memorandum Circular No. 003-08 dated June 16, 2008.

- 8. Management did not submit on time the quarterly and other required reports contrary to Section 122 of PD No. 1445 and other relevant laws, rules and regulations, thus withholding from COA significant financial information for audit purposes.**

Section 122 of PD No. 1445 states that 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.

On submission of papers relative to government obligations, Section 39 of PD 1445 states that the Commission shall have the power, for purposes of inspection, to require the submission of the original of any order, deed, contract, or other document

under which any collection of, or payment from, government funds may be made, together with any certificate, receipt, or other evidence in connection therewith. Accordingly, it shall be the duty of the officials or employees concerned, including those in non-government entities under audit, or affected in the audit of government and non-government entities, to comply promptly with these requirements. Failure or refusal to do so without justifiable cause shall constitute a ground for administrative disciplinary action.

On information and publicity on programs/projects/activities of government agencies, Section 2.1 of COA Circular No. 2013-004 dated January 30, 2013, provides that at the beginning of the year, all government agencies shall provide their Supervising Auditors (SAs) and Audit Team Leaders (ATLs) with a list of all on-going projects/programs/activities (PPAs) and those to be implemented during the year. Section 2.2.1 thereof further provides, among others, that all government agencies, or the implementing unit, office, or division as the case may be, shall notify the public of their PPA through the posting of information on signboards, blackboards, whiteboards, posters, tarpaulins, streamers, electronic boards, or similar materials (collectively, "Signboards") in conspicuous places within the agency premises and in the venue where the PPA is located or carried out. This requirement applies to all government PPAs, regardless of source of funds.

On the other hand, the Penalty Clause of the above rule provides, among others, that all expenses incurred in violation of the Circular shall be disallowed in audit.

Despite the information relayed about the need of COA for certain quarterly reports, management continually neglects its duties to furnish the required data. Firstly, during CY 2014, COA remained not informed regarding implemented program/project/activity as no report thereon was relayed to the Audit Team.

In addition, the following quarterly and other reports for CY 2014 were not submitted promptly to the audit team:

Report	Frequency of Submission
Report on Physical Count of Inventories	1 st and 2 nd semesters
Report on the Physical Count of Property, Plant and Equipment	yearly
Quarterly Report on Projects/Programs/Activities	quarterly
Unliquidated cash advances	quarterly

The non-submission of the reports put limits to the smooth conduct of audit concerning the operations of management thus, the practice deprived management and other agencies concerned of significant information about results of audit. In addition if continually practiced, management may be concluded as unjustifiably refusing to coordinate with COA in the disclosure of required data on its financial affairs which may subject concerned personnel to sanctions as mandated by relevant law or rules.

During the exit conference, the Senior Corporate Budget Analyst (Acting Accountant) mentioned that the reports will be submitted.

Management should practice prompt submission of reports and relevant data as required by COA, in the process, avail of the advantages of being updated on audit results for the improvement of its administration of government resources.

- 9. The grant of allowances and honoraria amounting to P1,746,650.00 without legal basis was allowed by management thus showing instances of tolerating invalid claims to the disadvantage of the government.**

Section 2 of PD 1445 mandates for government resources to be used effectively, economically and efficiently.

Item II of COA Circular 2013-003 dated January 30, 2013 states that government officials and employees shall be entitled only to allowances, incentives and other benefits expressly provided by law, and other statutory authority, and the rules and regulations promulgated by competent authority. Item IV thereof states that officials and employees of agencies exempt from the Salary Standardization Law may be paid other allowances and benefits subject to: 1) prior approval by the Office of the President as required under PD 1597 on "Further Rationalizing the System of Compensation and Position Classification in the National Government; 2) limitations imposed by RA 10149 on covered GOCCs and their subsidiaries-GOCCs and other government instrumentalities covered by RA 10149, the GOCC Governance Act of 2011, are likewise enjoined to strictly comply the provisions of Sections 10 and 23 thereof with respect to the grant of additional incentives of certain position titles and the per diems and incentives of the members of the Board of Directors and Trustees. Hereunder are the quoted provisions of Sections 10 and 23; thus:

"Section 10. Additional Incentives – the GCG (Governance Commission for Government-Owned or Controlled Corporations) may recommend to the President, incentives for certain position titles in consideration of the good performance of the GOCC x x."

"Section 23. *Limits to Compensation, Per Diems, Allowances and Incentives* - The charters of each of the GOCCs to the contrary notwithstanding, the compensation, *per diems*, allowances and incentives of the members of the Board of Directors/Trustees of the GOCCs shall be determined by the GCG using as a reference, among others, Executive Order No. 24 x x *Provided however*, That Directors/Trustees shall not be entitled to retirement benefits as such directors/trustees.x x"

Item V of the above rule further mandates that all COA Auditors are directed to disallow in audit all payments of allowances, incentives and other fringe benefits to all government officials and employees which have no legal basis and do not conform strictly with the laws, rules and regulations granting or authorizing such payments.

Of relevance is item 3.1 of COA Circular 2012-003 dated October 29, 2012 which states that a transaction that fails to follow or violates appropriate rules of procedure is irregular. Item 3.3 of rule in turn provides that cases of violation of laws are considered illegal expenditures of uses of government funds and property.

During CY 2014, management was found to allow the hereunder allowances despite without legal basis; thus:

	NATURE OF ALLOWANCE	Amount
a	rice allowance	810,000.00
	financial assistance	540,000.00
	medical allowance	255,000.00
	Sub-total	1,605,000.00
b	BAC honoraria	69,050.00
c	honoraria - Designations	72,600.00
	Total	1,746,650.00

a. On the rice allowance, financial assistance and medical allowance –

COA Resolution No. 2004-006 dated September 14, 2006 prescribes the guidelines on the matter of allowances and benefits granted by the water districts to the members of the Board of Directors and their organic personnel which provides that:

“2.2 Allowances and benefits of organic personnel of water districts who were incumbents as of July 1, 1989 and were receiving such allowances and benefits shall be allowed in audit. Conversely, those hired after that date including those hired to the positions vacated by those incumbents shall not be entitled to the said allowances and benefits”.

Section 12 of Republic Act No. 6758 dated July 1, 1989, otherwise known as the Salary Standardization Law, provides the consolidation of allowances and compensation as follows:

“All allowances, except for representation and transportation allowances; clothing and laundry allowances; subsistence allowance of marine officers and crew on board government vessels and hospital personnel; hazard pay; allowances of foreign service personnel stationed abroad; and such other additional compensation not otherwise specified herein as may be determined by the DBM, shall be deemed included in the standardized salary rates herein prescribed. Such other additional compensation, whether in cash or in kind, being received by incumbents only as of July 1, 1989, not integrated into the standardized salary rates shall continue to be authorized”.

Sub-paragraphs 5.4 and 5.5 of DBM Corporate Compensation Circular (CCC) No. 10 supplemented the above law by enumerating the additional compensation authorized to be continued for incumbent employees as of July 1, 1989.

Sub-paragraph 5.4 provides that the rates of the following allowances/fringe benefits which are not integrated into the basic salary and which are allowed to be continued after June 30, 1989 shall be subject to the condition that the grant of such benefits is covered by statutory authority, as follows:

- 5.4.1 Representation and Transportation Allowance;
- 5.4.2 Uniform and clothing allowance;
- 5.4.3 Hazard pay as authorized by law;
- 5.4.4 Honoraria/additional compensation for employees on detail with special projects or inter-agency undertakings;
- 5.4.5 Honoraria for services rendered by researchers, experts and specialists who are of acknowledged authorities in their fields of specialization;
- 5.4.6 Honoraria for lecturers and resource persons/speakers;
- 5.4.7 Overtime pay;
- 5.4.8 Laundry and subsistence allowances of marine officers and crew on board GOCCs/GFIs owned vessels and used in their operations, and of hospital personnel who attend directly to patients and who by nature of their duties are required to wear uniforms;
- 5.4.9 Quarters allowance of officials and employees who are presently entitled to the same;
- 5.4.10 Overseas Living Quarters and other allowances presently authorized for personnel stationed abroad;
- 5.4.11 Night Differential of personnel on night duty;
- 5.4.12 Per Diems of members of the governing Boards of GOCCs/GFIs at the rate as prescribed in their respective charters;
- 5.4.13 Flying Pay of personnel undertaking serial flights;
- 5.4.14 Per Diem/Allowances of Chairman and Members/Staff of collegial bodies and Committees; and
- 5.4.15 Per Diems/Allowances of officials and employees on official foreign and local travel outside of their official station.

Sub-paragraph 5.5 of DBM Corporate Compensation Circular No. 10 dated February 15, 1999 provides that the following allowances/fringe benefits are not likewise to be integrated into the basic salary and allowed to be continued only for incumbents of positions as of June 30, 1989 and actually receiving said allowances/benefits as of said date, subject to the condition that the grant of the same is with appropriate authorization either from the DBM, Office of the President or legislative issuances:

- 5.5.1 Rice Subsidy;
- 5.5.2 Sugar Subsidy;

- 5.5.3 Death Benefits other than those granted by the GSIS;
- 5.5.4 Medical/dental/optical allowances/benefits;
- 5.5.5 Children's Allowance;
- 5.5.6 Special Duty Pay/Allowance;
- 5.5.7 Meal Subsidy;
- 5.5.8 Longevity Pay; and
- 5.5.9 Teller's Allowance.

In the case of Public Estates Authority vs. COA G.R. No. 156537 dated January 24, 2007, the Supreme Court ruled that it is decisively clear that rice subsidy may only be granted to petitioner's personnel who were incumbents as of July 1, 1989. Accordingly, in disallowing the grant of rice subsidy to employees hired after that date, respondent COA did not gravely abuse its discretion.

In addition, Item II of COA Circular 2013-003 dated January 30, 2013 states that government officials and employees shall be entitled only to allowances, incentives and other benefits expressly provided by law, and other statutory authority, and the rules and regulations promulgated by competent authority. Item III thereof does not mention the rice allowance, financial assistance and medical allowance as one of the allowances and benefits generally applicable to agencies which are covered by RA 6758.

Verification of various financial transactions of the district disclosed that rice allowance, financial assistance and medical allowance were paid to its forty one (41) employees, who were hired after July 1, 1989 and to the following four employees who were incumbents as of July 1, 1989:

No.	Name	Position Title	Date of original appointment
1	Tupa, Senesia V.	Utilities/Customer Service Assistant D	4/18/1987
2	Cabanatan, Marina A.	Utilities/Customer Service Assistant D	4/18/1987
3	Catada, Alfredo Jr, C.	Storekeeper D	3/8/1988
4	Ygrubay, Ma. Teresa G.	Cashier A	10/1/1988

There was no document to show proof that the aforementioned four employees were already receiving said allowance as of June 30, 1989. The details of the disbursements are shown as follows:

- 1) for rice allowance (P3,000.00 per month)

Check		Journal Voucher No. (with payroll)		Period Covered	No. of payees	Amount
Date	No.	Date	No.			
1/27/2014	20981 (part)	1/29/2014	2014-01-015	January	45	135,000.00
2/26/2014	21083 (part)	2/27/2014	2014-02-044	February	45	135,000.00
3/26/2014	21486 (part)	3/27/2014	2014-03-071	March	45	135,000.00
4/28/2014	21571 (part)	4/30/2014	2014-04-100	April	45	135,000.00
5/27/2014	21639 (part)	5/28/2014	2014-05-118	May	45	135,000.00
6/27/2014	21736 (part)	6/27/2014	2014-06-141	June	45	135,000.00
				Total		810,000.00

2) financial assistance (P2,000.00 per month)

Check		Journal Voucher No. (with payroll)		Period Covered	No. of payees	Amount
Date	No.	Date	No.			
1/10/2014	20966 (part)	1/14/2014	2014-01-009	January	45	90,000.00
2/12/2014	21052 (part)	2/26/2014	2014-02-040	February	45	90,000.00
3/2/2014	21441 (part)	3/17/2014	2014-03-064	March	45	90,000.00
4/11/2014	21529 (part)	4/14/2014	2014-04-092	April	45	90,000.00
5/13/2014	21581 (part)	5/19/2014	2014-05-112	May	45	90,000.00
6/11/2014	21714 (part)	6/20/2014	2014-06-135	June	45	90,000.00
			Total			540,000.00

3) medical allowance of P5,000.00 for CY 2014 –

Check		Journal Voucher No. (with payroll)		Period Covered	No. of payees	Amount
Date	No.	Date	No.			
3/3/2014	21099	3/10/2014	2014-03-055	CY 2014	45	225,000.00

Pursuant to the above laws and rules, since the employees were incumbents after July 1, 1989 and there were no submitted proof that the aforementioned four employees had been receiving said allowance as of June 30, 1989, the questioned grant of allowances and other benefits are invalid, thus proper subjects of disallowance during post-audit.

b. On Honoraria of Chairs, Members and Secretariat of the Bids and Awards Committee (BAC) -

Section 15 of RA No. 9184, otherwise known as the Government Procurement Reform Act states that the Procuring Entity may grant payment of honoraria to the BAC members in an amount not to exceed twenty five percent (25%) of their respective basic

monthly salary subject to availability of funds. For this purpose, the Department of Budget and Management (DBM) shall promulgate the necessary guidelines.

Section 5.2 of DBM Budget Circular (BC) No. 2004-5A dated March 23, 2004 provides that the payment of honoraria shall be limited to procurement that involves competitive bidding. Competitive bidding activities are present only in a) open and competitive; b) limited source bidding; c) negotiated procurement under Section 53 (a) of the Implementing Rules and Regulations Part A (IRR-A), where there has been failure of bidding for the second time; and d) negotiated procurement under Section 53 (b) of the IRR-A following the procedures under Section 54.2(b) thereof, whereby the procuring entity shall draw up a list of at least (3) suppliers or contractors which will be invited to submit bids.

Conversely, honoraria will not be paid when procurement is thru:

- Direct contracting;
- Repeat order;
- Shopping;
- Negotiated procurement under Section 53 (b) of the IRR-A following the procedures under Section 54.2(d) thereof, whereby the procuring entity directly negotiates with previous supplier, contractor or consultant, or when the project is undertaken by administration or thru the AFP, in case of infrastructure projects; and
- Negotiated procurement under Section 53 (c) to (g) of the IRR-A.

Verification of some financial transactions of the water district for the period covering January to July, 2014 disclosed that the Chairs, Members and Secretariat of the BAC claimed honoraria for the months covering December, 2013 to July, 2014. It was also noted that even though the procurement was done thru alternative mode of procurement of shopping, the claims were made on a monthly basis. There were no documents attached to the claims to show that the procurements were made thru competitive bidding, which is a deviation from the aforementioned guidelines. Details are shown as follows:

Name	Position	Amount
Espiña, Edgardo B.	BAC Chairman	6,000.00
Lucido, Rina V,	BAC Chairman	10,000.00
Locañas, Alfredo P.	BAC Vice-Chairman/Member	9,600.00
Calesa, Menchie M.	BAC Member/Secretariat	12,000.00
Doydora, Ambropita A.	BAC Member	12,000.00
Ricafort, Raymund Randy L.	BAC Member	2,750.00
Bohol, Fernan Barry O.	BAC Member	5,700.00
De Veyra, Jordan B.	BAC Member	6,500.00
Sumagang, Rosela C,	BAC Secretariat	4,500.00
Total		69,050.00

c. On Honoraria (designations) –

Section 53 of RA No. 10633 (General Appropriations Act for FY 2014) provides that the respective appropriations for honoraria shall only be paid to the following:

- a. Teaching personnel of the DepEd, TESDA, SUCs and other educational institutions, engaged in actual classroom teaching, whose teaching load is outside of the regular office hours or in excess of the regular load;
- b. Those who act as lecturers, resource persons, coordinators and facilitators in seminars, training programs, and other similar activities in training institutions, including those conducted by agencies for their officials and employees wherein no seminar fees are collected from participants;
- c. Chairs and members of commissions, boards, councils, and other similar entities, including personnel thereof who are not paid salaries nor per diems but compensated in the form of honoraria as provided by law, rules and regulations;
- d. Those who are involved in science and technological activities and render services beyond their regular workload;
- e. Officials and employees assigned to special projects, subject to the conditions that (i) Said special projects are reform-oriented or developmental, contribute to the improvement of service delivery and enhancement of the performance of the core functions of the agency, and have specific timeframe and deliverables in accomplishing objectives and milestones set by the agency for the year; and (ii) Such assignment entails rendition of work in addition to, or over and above, their regular workload.
- f. Officials and employees authorized to receive honoraria under RA No. 9184 and its IRR.

The grant of honoraria for the foregoing shall be subject to the guidelines prescribed under BC No. 2003-5 dated September 26, 2003, as amended by BC No. 2007-1 dated April 23, 2007 and National Budget Circular (N.B.C.) No. 2007-510 dated May 8, 2007, BC No. 2007-2 dated October 1, 2007, BC No. 2004-5A dated October 7, 2005, as amended by BC No. 2007-3 dated November 29, 2007, DBM and DOST JC No. 1 dated June 25, 2013, and such guidelines as may be issued by the DBM.

Verification of the financial transactions of the water district disclosed that honoraria amounting to P72,600.00 for the period covering January to June, 2014 were granted on a monthly basis to five employees who were designated as the 1) Team Leader, NRP and designated Project Manager; 2) Secretary to the Board; 3) Acting Corporate Internal Control Office; and 4) Technical Working Inspectorate. These claims were contrary to the aforementioned law, rules and regulations. Details are shown as follows:

Name	Position	Amount
Locañas, Alfredo P.	Team Leader, NRP & Designated Project Manager	30,000.00
Sapinit, Ma. Crispina Y.	Secretary to the Board	16,800.00
Ortiz, Maribel A.	Acting Corporate Internal Control Officer	16,800.00
De Veyra, Jordan B.	Technical Working Inspectorate	4,500.00
Saborrido, Paulo Alexis O.	Technical Working Inspectorate	4,500.00
Total		72,600.00

For being bereft of validity all foregoing claims are subjects of disallowance during post-audit.

Management did not submit their comments.

For the deficiencies, we recommend for management to discontinue the grant of allowances and other benefits to personnel that are without legal basis.

- 10. Management did not prepare a Plan, provide budgetary allocations supposedly being at least 5% of the actual budgetary appropriations, nor reported any disbursement for the Gender and Development (GAD) thus is concluded to have failed in complying with the requirements of relevant laws and rules governing the program.**

Section 33 of the 2014 General Appropriations Act (GAA) states that all agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors and that the Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent (5%) of their budgets. Accordingly, utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies. and the allocation of funds for implementation of Gender and Development (GAD) Plan is a statutory requirement that must be complied with by provinces, cities, municipalities and barangays.

On the other hand Republic Act 7192, an act promoting the Integration of Women as Full and Equal Partners of Men in Development and Nation Building and for Other Purposes promotes the integration of women as full and equal partners of men in development and nation building. Said law mandates agencies, including LGUs to institutionalize GAD in government by incorporating the GAD concerns in their planning, programming and budgeting process.

Likewise, item 2.3 of Joint Circular No. 2012-01 also provides that, pursuant to the Magna Carta of Women (MCW) and the General Appropriations Act (GAA), all government departments, including their attached agencies, offices, bureaus, state universities and colleges (SUCs), government-owned and controlled corporations (GOCCs), local government units (LGUs) and other government instrumentalities shall formulate their annual GPBs within the context of their mandates to mainstream gender

perspectives in their policies, programs and projects. GAD Planning shall be integrated in the regular activities of the agencies, the cost of implementation of which shall be at least five percent (5%) of their total budgets. The computation and utilization shall be implemented in accordance with the specific guidelines provided therein.

An evaluation was made on the accomplishment by the agency of the mandated GAD for CY 2014 but a demand for the plans and accomplishment reports for the implementation of GAD was not complied with. The agency was thus noted to have omitted in preparing said documents. Further, the 2014 Corporate Operating Budget was not submitted, hence, the team cannot verify the agency's compliance on its allocation for GAD.

The omission in complying with the GAD requirements hindered the accomplishment of its objectives. Thus benefits aimed to be extended were unrealized to the deprivation of all targeted beneficiaries.

During the exit conference, the OIC – General Manager commented that the audit recommendations will be complied with.

We recommend for management to strictly adhere to the guidelines for the preparation of annual Gender and Development (GAD) Plans, Budgets and Accomplishment Reports, among others, to implement the Magna Carta of Women as provided in Joint Circular No. 2012-01 issued by the PCW, NEDA and the DBM and shall specifically undertake the following:

- 1. Prepare annual GAD Plan and Budget duly approved or endorsed by PCW;**
- 2. Incorporate in its annual budget the cost to implement the GAD plan or programs, activities and projects related to Gender and Development which shall be at least 5% of the total budget; and**
- 3. Prepare and submit to the Audit Team accomplishment report based on the GAD Plan and Budget or any program/ activity/ project that maybe attributed to Gender and Development with cost equivalent to at least 5% of their total budget. This is for COA to evaluate and validate the agency's compliance with the intent of the law which is generally to attain gender equality.**

Compliance with Tax Laws

In compliance with existing BIR Regulations, all taxes withheld from salaries, suppliers and contractors were remitted to the BIR within the reglementary period as provided for by regulations.

Status of Audit Suspensions, Disallowances and Charges

As of December 31, 2014, no Notice of Disallowance or Suspension was issued to the agency. Post-audit done during CY 2014 yielded results that require the issuance of either a Notice of Suspension or Disallowance.

PART III

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

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the twenty four (24) audit recommendations contained in the 2007 and 2013 Annual Audit Reports , twenty one (21) were not implemented and three (3) were partially implemented; the details hereunder summarized as follows:

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> <p>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:</p> <p>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.</p> <p>c. Directs the respective Division Chiefs of the Accounting and Property Section monitors faithful compliance of the above recommendation;</p> <p>d. Initiate disposal of all unserviceable properties in accordance with Property and Supply Management Guidelines.</p>	F-1 AAR 2007		Not implemented.	Management did not submit information or comment.
2. The Accumulated	We recommend that	F-2		Not implemented.	Management did

Audit Observations	Recommendations	Ref.	Management Action	Status of Implementation	Reasons for Partial/ Non-Implementation
<p>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.</p>	<p>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.</p>	<p>AAR 2007</p>			<p>not submit information or comment.</p>
<p>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.</p>	<p>We recommend that the water district must strictly adhere to the conditions set forth in the loan contract with LWUA for an improved operation.</p> <p>Submit the approved authority from LWUA for the purchase of the service vehicle.</p> <p>Strictly follow the account names/account codes in the recording of transaction to avoid misleading information.</p>	<p>F-3 AAR 2007</p>		<p>Not implemented.</p>	<p>Management did not submit information or comment.</p>
<p>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.</p>	<p>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.</p>	<p>F-4 AAR 2007</p>		<p>Not implemented.</p>	<p>Management did not submit information or comment.</p>
<p>5. Stale checks amounting to P6,268.00 appears as reconciling items (outstanding checks) in the</p>	<p>Require the bookkeeper Designate to retrieve the long outstanding checks and prepare the necessary</p>	<p>F-5 AAR 2007</p>		<p>Not implemented.</p>	<p>Management did not submit comment. A similar audit</p>

Audit Observations	Recommendations	Ref.	Management Action	Status of Implementation	Reasons for Partial/ Non-Implementation
Bank Reconciliation Statement for December 2007.	adjusting entries.				observation is reiterated in Observation no. 3 in Part II 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		Partially implemented.	Management did not submit comment. There were subsidiary ledgers maintained by the agency. A similar audit observation is reiterated in Audit Observation no. 3 in Part II 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		Not implemented.	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		Not implemented.	Management did not submit information or comment.
9. Recording of Customers	We recommend that	F-9		Not implemented.	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>	AAR 2007			not submit information or comment.
<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>	F-10 AAR 2007		Not implemented.	Management did not submit information or comment.
<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>	F-11 AAR 2007		Not implemented.	Management did not submit information or comment.

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>Not implemented.</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>Not implemented.</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>Not implemented.</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>Not implemented.</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		Not implemented.	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		Not implemented.	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		Not implemented.	Management did not submit

Audit Observations	Recommendations	Ref.	Management Action	Status of Implementation	Reasons for Partial/ Non-Implementation
and without legal basis amounting to P485,409.15.	<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>	2007			information or comment.
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>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>	F-19 AAR 2007		Not implemented.	Management did not submit information or comment.
20. 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.	<p>We recommend that management:</p> <p>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.</p> <p>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.</p> <p>c) issue a written policy concerning on time</p>	F-1 AAR 2013	Memoranda were issued to the responsible persons in complying with the audit recommendations.	Partially implemented.	<p>The CY 2014 accounts were not submitted promptly.</p> <p>Reiterated in Audit Observation no. 2 of the current report.</p>

Audit Observations	Recommendations	Ref.	Management Action	Status of Implementation	Reasons for Partial/ Non-Implementation
	<p>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.</p>				
<p>21. 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.</p>	<p>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:</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>F-2 AAR 2013</p>	<p>The incumbent OIC – General manager issued memoranda to the persons responsible in complying with the audit recommendations.</p>	<p>Not implemented.</p>	<p>Management commented that it is in a transition period due to the reporting back to LWUA, the mother office of the previous Interim General Manager.</p> <p>Reiterated in Audit Observation no. 1 of the current report.</p>

Audit Observations	Recommendations	Ref.	Management Action	Status of Implementation	Reasons for Partial/ Non-Implementation
<p>22. 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.</p>	<p>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.</p>	<p>F-3 AAR 2013</p>	<p>The OIC – General Manager issued a memorandum to the Accounting Head and Senior Accounting Processor A regarding the regular submission of Bank Reconciliation Statements.</p>	<p>Not implemented.</p>	<p>Management commented that the delayed transmittal of bank statements by the depository banks to the agency caused the non-submission of the Bank Reconciliation Statements, however, requests for advance printouts of bank statements will be made by management.</p> <p>Reiterated in Audit Observation no. 3 of the current report.</p>
<p>23. 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.</p>	<p>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.</p>	<p>F-4 AAR 2013</p>	<p>The OIC – General Manager issued a memorandum to the responsible employees who will implement the audit recommendation.</p>	<p>Not implemented.</p>	<p>Management commented that it is in a transition period due to change of agency head.</p>

Audit Observations	Recommendations	Ref.	Management Action	Status of Implementation	Reasons for Partial/ Non-Implementation
<p>24. 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.</p>	<p>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.</p>	<p>F-5 AAR 2013</p>	<p>The OIC – General Manager issued a memorandum to the responsible employees who will implement the audit recommendation.</p>	<p>Partially implemented.</p>	<p>Although there were trip tickets attached to the claims, these were not duly accomplished.</p>