

STATUS OF IMPLEMENTATION BY THE AUDITEE OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

AUDIT OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/COMMENTS
<p>1. Construction in Progress account of P1.38 Billion included cost of completed, operational and discontinued projects not transferred to PPE and Other Asset accounts. It also included the amount of P 797.23 million without subsidiary ledgers.</p>	<p>a. Facilitate the issuance of Certificate of Completion and Final Acceptance to serve as basis for transfer of CIP accounts to appropriate PPE accounts.</p> <p>b. Re-compute current and prior year's depreciation.</p> <p>c. Create a task force to reconcile the accounts and provide for subsidiary ledgers of all on-going projects.</p> <p>d. Record the cost of discontinued projects as Other Assets.</p> <p>e. Consider fund sourcing for the continuation of discontinued projects.</p>	<p>Partially implemented Reiterated in 2009 AAR.</p> <p>A total amount of ₱158 million from various funds i.e. Fund 05, 75, 82 and 84 has been capitalized. Corresponding depreciation has been adjusted. The task force to do the reconciliation will be revived. Discontinued project was not recorded as Other Assets.</p>
<p>2. Other Receivables included long outstanding accounts of P1.56 billion without subsidiary ledgers and remained outstanding for more than ten years, rendering the account doubtful of validity and accuracy and resulted in losses to government for non-collection.</p>	<p>Coordinate with its concessionaires and undertake the verification and reconciliation of accounts. Management should act on the request of the concessionaires for the write-off of penalty on delayed remittance.</p>	<p>Not implemented.</p> <p>No action has been made in 2009.</p>

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<p>3. The balance of Office Furniture, Other Equipment and Transportation Equipment account totaling P850.19 million are doubtful due to incomplete inventory taking and non-reconciliation of the accounting and property records.</p>	<p>Institute control over its PPE by conducting complete inventory of all its PPE and reconcile it with accounting records. If there is an indication that an asset is impaired, the asset's useful life, depreciation, or residual value may need adjustment.</p>	<p>Not implemented. As of to date, no inventory report has been submitted by management.</p>
<p>4. Other Assets include accounts that are obsolete and dormant for which no impairment losses and sufficient allowance were provided resulting in the overstatement of the account as well as net income and Retained Earnings by P661.39 million.</p>	<p>Recognize impairment loss on unoperational /unserviceable assets and provide a hundred percent allowance for dormant accounts or an additional of P 418.57.</p>	<p>Not implemented.</p>
<p>5. Accounts Receivable includes accounts amounting to P121.83 million that are doubtful due to absence of supporting documents.</p>	<p>Coordinate and reconcile their account balances with that of the concessionaires and enforce collection. Send confirmation letters to the availees of the housing loan projects to facilitate reconciliation of the accounts and correct the account balances and enforce collection. Take immediate action on the verification of records on audit disallowances/charges.</p>	<p>Partially implemented. Reconciliation of receivables from availees has been finished and adjustment has been taken up. Individual subsidiary ledger for each employee is presently being established.</p>

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<p>6. Advance payments to suppliers/contractors amounting to P344.86 million were unsubstantiated and remained un-recouped for more than three years rendering the balance of the Prepayment account doubtful of validity and accuracy.</p>	<p>Reconcile the accounts for fair presentation in the financial statements. Management should pinpoint persons responsible for the non-recoupment and for the improper accounting.</p>	<p>Partially implemented. P11 million has been adjusted in 2009. Collating of supporting papers is on-going.</p>
<p>7. The presentation in the financial statements of the reciprocal accounts, Due to Operating Unit-RO and Due from CO as two separate line items, Intra-agency receivables and payables, respectively, misstated the total assets and liabilities by undetermined amounts. Further, the correct balance of the reciprocal accounts cannot be ascertained because of absence of reconciliation and the practice of offsetting without authority and notification.</p>	<p>Management should eliminate the reciprocal accounts in the consolidation process, reconcile these accounts and discontinue the practice of offsetting to avoid discrepancies and to ensure that only legitimate and authorized shared expenses are recorded and charged against the RO.</p>	<p>Partial implementation. Management is still in the process of reconciling the account. The accounting personnel in charge of journalizing were already instructed to discontinue offsetting shared expenses against payable to the Regulatory Office.</p>
<p>8. Non-recognition of impairment losses on obsolete and unserviceable construction materials resulted in the overstatement of inventories and net income and retained earnings account in the amount of P60.43 million.</p>	<p>Determine the recoverable amount and recognize impairment loss on the construction materials inventory and reclass the same to Other asset account.</p>	<p>Not implemented. No action has been taken in 2009.</p>

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<p>9. Cash account is overstated by P6.63 million because of unrecorded disbursements and is doubtful because of irregular and unsubstantiated disbursements of P35.36 million. Delay in recording of some disbursements was also noted.</p>	<p>Pursue the investigation requested and hold liable the persons found responsible.</p> <p>Submit supporting disbursement documents such as but not limited to paid checks.</p> <p>Institute physical controls on documents evidencing financial transactions, strictly implement existing regulations in disbursements, and improve coordination between the Treasury and Accounting Sections but enforce segregation of incompatible functions.</p>	<p>Partially implemented</p> <p>Out of the P6.63 million reported unrecorded disbursements, the amount of 6.5 have been recorded in various JEVs from the period January, 2009 to March 2010.</p> <p>Management reported that a case was already filed at the DOJ against six officials of the agency for malversation of public funds and plunder.</p>
<p>10. Payable accounts is doubtful of validity and accuracy because P544.45 million or 49.40 per cent of the year-end balance of P1.1 billion is not supported by subsidiary ledgers and contains abnormal debit balance of P9.22 million.</p>	<p>We recommended and Management agreed to analyze the accounts and establish the valid obligations and make the necessary adjustments.</p>	<p>Not implemented.</p> <p>Management reasoned out that they could not start the reconciliation of this account due to lack of manpower.</p>
<p>11. Other Liabilities account contains accounts totaling P168.05 million which were not substantiated rendering the account doubtful of validity.</p>	<p>Identify valid accounts and write-down invalid payable accounts.</p>	<p>Not implemented</p> <p>Management reported that they are in the process of verifying this account.</p>

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<p>12. Unliquidated cash advances amounting to P1.64 million at year-end resulted in the overstatement of cash advance and understatement of expense and possible loss to the government.</p>	<p>a) Strictly implement regulations in the granting, utilization and liquidation of cash advances;</p> <p>b) Apply claims withheld from the retired or separated accountable officers against their cash advances as full liquidation; and</p> <p>c) Cause or order the withholding of the payment of any money due the accountable officers.</p>	<p>Partially implemented.</p> <p>Out of the P 1.64 million unliquidated cash advances as of December 31, 2008, only the amount of P 90,000.00 representing executive check-up of two former MWSS Officials remained unliquidated. Also, pre-privatization cash advances amounting to P380,177.98 remained unliquidated as of December 31, 2009.</p>
<p>13. The Corporate Operating Budgets (COB) for the Fiscal Year 2008 of MWSS-Corporate Office and MWSS-Regulatory Office totaling P332.79 million and P176.80 million, respectively, did not pass the review and approval of the President through the Department of Budget and Management (DBM).</p>	<p>We strongly recommended that Management seek the required approval by the DBM of its 2008 COB. Without the requisite approval, all payments made in 2008 are considered illegal and may be subjected to audit disallowance. Henceforth, prior approval of COB should be obtained from DBM.</p>	<p>Not implemented Reiterated in the 2009 AAR.</p>
<p>14. Concession fees totaling P334.05 million remained unremitted to the MWSS-Regulatory Office as of December 31, 2008 in violation of the Concession Agreement.</p>	<p>Enforce collections from concessionaires and immediately remit the concession fees due to the Regulatory Office pursuant to the Concession Agreement.</p>	<p>Partially implemented</p> <p>MWSS Corporate Office reported that for CY 2009, they have remitted a total of P200 million to the MWSS-Regulatory Office. Our verification showed that the total amount remitted for the period Feb. to December 2009 is P 230 million.</p>

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15. The payment of RATA was not in accordance with the GAA rules, prescribed rates and positions.	<p>a. Discontinue the computation of RATA based on LOI 97 and grant the same at rates authorized under the GAA, consistent with Section 16 of RA 6758.</p> <p>b. Discontinue the grant of RATA to employees who do not fall under any of the enumerated positions under the GAA.</p> <p>c. Officers, board members and employees being availed of CAP should surrender the service vehicles assigned to them and are not entitled to claim transportation allowance.</p> <p>d. Management should cause the refund of transportation allowances received in excess of the prescribed rates.</p>	Not implemented. Reiterated in the 2009 AAR.
16. Payment of hazard pay totaling P1.74 million was not in accordance with RA 9336 and the pertinent provision of the DBM Publication Manual.	Discontinue the payment of Hazard Pay to MWSS officials and employees for lack of legal basis.	Not implemented Reiterated in the 2009 AAR.
17. The continuous payment of COLA is inconsistent with the provisions of the Salary Standardization Law.	Discontinue the payment of COLA for lack of legal basis.	Not implemented. Reiterated in the 2009 AAR.

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18. The payment of Extraordinary and Miscellaneous Expenses (EME) was not in accordance with the General Appropriations Act.	Adhere to GAA provisions in fixing EME rates and in granting EME. EME paid in excess of the GAA-prescribed rates and given to those not entitled shall be disallowed in audit. We further recommended that accounts improperly charged should be re-classed to proper accounts.	Not implemented. Reiterated in the 2009 AAR.
19. Bonuses and allowances were authorized by the Board and paid by Management without legal basis.	Obtain the requisite approval of the benefits granted either from the President or the DBM prior to the payment of benefits. Without the requisite approval, payments of benefits (new or increased benefit) granted after RA 6758 are considered illegal disbursement of funds and may be disallowed in audit.	Not implemented. Management continues to pay different bonuses without the required OP or DBM approval.
20. Cash disbursements totaling P60 million for the implementation of the Car Assistance Plan were irregular disbursement of public funds in violation of RA 6758 and DBM Approved Budget.	Stop the implementation of the Car Assistance Plan.	Not implemented. Suspended implementation of car loan only on March 16, 2010.
21. Consultants' stated duties duplicate the functions of regular employees and were paid benefits on top of their stipulated compensation.	Discontinue the services of the consultants whose duties are mere duplication of those performed by regular employees and stop extending fringe benefits/allowance.	Not implemented

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22. The procurement of equipment made by the concessionaire in behalf of the System and the proposed payment by offsetting against the collectibles from the concessionaire is an indirect contravention of the Procurement Law (RA 9184).	Undertake all procurement activities to ensure compliance with Procurement Law. In this exceptional case, the procurement of the two chillers, although undertaken by a private entity, should be reviewed by the Commission on Audit to ascertain compliance with existing Procurement Laws and to determine payment of a just amount in recognition of the principle that no one shall be unjustly enriched at the expense of another.	Implemented MWSS is now complying with the guidelines of the procurement law.
23. Management has not fully institutionalized Gender and Development (GAD) and has not provided a budget for its implementation as required under EO No. 273.	Provide a budget for the implementation of GAD, plan and implement Programs/Activities/ Projects including the GAD activities and formulate Major Final Outputs.	Partially implemented. A budget has been allotted for GAD's activities but the required GAD Plan has not been fully complied /implemented.
24. Had there been diligent management of STP (Sewerage Treatment Plant) project, service to the consuming public may have been promptly delivered and unnecessary costs of P 68.30 million could have been avoided.	Facilitate the settlement of the dispute immediately. We further recommended that Management furnish us a copy of the result of the arbitration conducted and hold accountable the persons found to be responsible for the delay.	Partially implemented. The arbitration has already been completed and a copy of the final decision in favor of SALCON has been given to us. Management is obliged to pay SALCON the amount of P 375.00 million excluding the advance payment of P70,989,440.27. Accountable persons were not held liable.

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<p>25. Receivable from customer's account amounting to P1.12 billion for water and sewerage services rendered prior to privatization remained outstanding for more than ten years resulting in loss to the government.</p>	<p>Create a task force to organize and analyze available pertinent documents to generate cash flow and minimize the impact of losses due to non-collection. Determine the circumstances surrounding the losses of pertinent document and to pinpoint the officials responsible.</p> <p>Initiate the request for the write off of some of the accounts with supporting documents and forward the same to COA for approval.</p>	<p>Not implemented</p> <p>Management acted only in 2010.</p> <p>Management has created a task force under Office Order # 2010-015 on January 22, 2010 with the objective of facilitating the reconciliation and collection of long outstanding Accounts Receivables. The Task force has already submitted an initial Accomplishment report to the Deputy Administrator last April 2010. The Task Force has a timetable of 3 years to complete its activities.</p>
<p>26. MWSS sold a portion of its La Mesa Watershed Property to its employees in violation of Section 2, Article XII of the 1987 Philippine Constitution and without Presidential approval.</p>	<p>Submit the following:</p> <ul style="list-style-type: none"> a. Approval from the Office of the President to allocate the subject MWSS Real Property for MWSS Officers and employees; b. Report on the Appraised Value of the Mother Title subject of sale to employees; c. DENR approval to convert the protected area into a housing project; d. Report on BAC evaluation for the choice of Land Developer R-II Builders; 	<p>Not implemented</p>

AUDIT OBSERVATIONS

RECOMMENDATIONS

**ACTIONS
TAKEN/COMMENTS**

- e. Advertisement for invitation to pre-qualify and to bid for the Land Development;
- f. Resolution on award to R-II Builders;
- g. Notice of Award to R II Builders; and
- h. Status of amortized loans of officials and employees who availed of the loan.