

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

AUDIT OBSERVATION	RECOMMENDATIONS	ACTION TAKEN/COMMENTS
<p>1. The validity and accuracy of the Property, Plant, and Equipment account balance of ₱41.554 Billion (net of Depreciation) as of December 31, 2009, cannot be established because management has not conducted a physical inventory of the System's fixed assets and has not reconciled the accounting records on Land with the records of the Property Management Department (PMD).</p>	<p>Recommended that Management reconcile the records of the Finance Department with the Property Management Department and recognize the unrecorded Land. It is further recommended that Management prioritize the acquisition of TCT of untitled properties and exert effort to evict the unauthorized settlers therein.</p> <p>Conduct an annual physical inventory of government properties, which shall be reconciled with accounting records.</p>	<p>Partially implemented.</p> <p>86% of the records of Finance Department and Property Management Department insofar as the lot area of land and land rights are concerned have already been reconciled. The remaining 14% will be subject to further verification.</p> <p>See Finding No. 1.</p>
<p>2. The validity of Accounts Receivable and Other Receivables which include unsubstantiated and long-outstanding accounts totalling ₱1.22 Billion and ₱1.56 Billion, respectively, cannot be established.</p>	<p>Reiteration of previous recommendations that Management:</p> <p>a. Coordinate with its Concessionaires for the reconciliation of accounts and the settlement of the amounts being disputed;</p>	<p>On-going implementation.</p> <p>Management has designed the billing statement as its own controlling records. Considering the large number of individual customers within Metro Manila and the selected nearby cities and therefore it is highly impractical to create individual subsidiary ledgers.</p> <p>Moreover, these are</p>

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		<p>receivables in arrears and past due accounts since 1997.</p>
	<p>b. Enforce collection of the legitimate claims from Concessionaires and request for write-off of accounts for which the agency has no valid claim;</p>	<p>A/R task force has yet to provide the list of accounts for write-off.</p>
	<p>c. Closely monitor for the accomplishments of the Accounts Receivables Task Force to ensure that its objective of verifying, reconciling and collecting prior years' accounts will be achieved within the timeframe committed; and</p>	<p>Monitoring is ongoing and the A/R Task force shall submit a monthly Status Report.</p>
	<p>d. Enforce the settlements of the disallowance amounting to ₱587,400.00 representing the benefits received by the then Chairman of the Board Mr. Gregorio Vigilar, if no appeal on the certiorari was filed with the Supreme Court.</p>	<p>Verification is ongoing.</p>
<p>3. The balance of Construction in Progress account in the amount of ₱1.24 Billion as of December 31, 2009 cannot be accurately established because accounts totalling ₱797.26 Million were not</p>	<p>We reiterate our recommendations that Management:</p> <p>a. Continue to issue Certificate of Completion and Final Acceptance to serve as basis for the</p>	<p>On-going implementation.</p> <p>Considering the various certificates of Completion and Final Acceptance had been forwarded to FD, the CIP</p>

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supported by subsidiary ledgers and project costs totalling ₱80.48 Million were unsubstantiated. It also is misstated by the inclusion of the cost of completed and operational projects and discontinued projects.

transfer of CIP accounts to appropriate PPE and re-compute current and prior years' depreciation.

account had been reduced to ₱704.88M as of November, 2010. The related Depreciation Expense had also been established.

Certificate Report has been submitted to FD by EPMD for discussion with COA.

b. Reconstruct accounts and provide subsidiary ledgers of all on-going projects.

Subsidiary Ledgers have been established.

c. Create a task force to reconcile and substantiate the account balances.

The Task Force has been created. Reconciliation and reclassification of accounts are ongoing.

d. Record the cost of discontinued projects as Other Assets and not as Construction in Progress; and

Complied.

e. Consider fund sourcing for the continuation of these projects.

The projects have been completed and financed by the Concessionaires

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<p>4. The validity and accuracy of the Accounts payable balance of ₱563.11 Million cannot be established because ₱530.70 Million or 94.24 per cent of the year-end balance is not supported with subsidiary ledgers and includes an abnormal debit balance of ₱4.725 million which cannot be substantiated.</p>	<p>We recommended and Management agreed to analyze the accounts and establish the valid obligations, provide the necessary subsidiary ledgers to support the balances and make necessary adjustments.</p>	<p>FD has started implementing COA's recommendation by analyzing the A/P and has been partially reconciled.</p>
<p>5. The validity and accuracy of the Prepayment account balance cannot be established because it includes accounts for reconciliation amounting to ₱116.80 Million and unsubstantiated abnormal balances amounting to ₱46.97 Million. It also included advance payments totalling ₱263.55 Million which remained un-recouped for more than five (5) years rendering the account doubtful.</p>	<p>We recommended and Management agreed to pursue its efforts to reconcile the accounts. We further reiterate our recommendation that Management pinpoint responsibility for the non-recoupment of advance payments.</p>	<p>On-going implementation.</p> <p>The concessionaires have certified that the projects were completed and operational.</p> <p>Management also assured us that reconciliation of un-recouped advances will be given top priority.</p>
<p>6. The validity and accuracy of Other Liabilities account cannot be established because it contains accounts totalling ₱116.93 Million which were not substantiated.</p>	<p>We recommended for identification of valid accounts and to adjust invalid payable accounts.</p>	<p>Partially implemented.</p> <p>For CY 2010, out of ₱ 116.93M, ₱ 8.51M has been reconciled.</p>
<p>7. Cash account is overstated by ₱16.8 Million as of December 31, 2009 due to various unrecorded book reconciling items.</p>	<p>We recommend that management :</p> <p>a. Coordinate with the banks for the submission of debit</p>	<p>Complied.</p>

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Withdrawals of cash amounting to ₱35.36 million in previous years that were irregular and unsubstantiated are carried in the cash balance.

and credit advices or other substitute documents that would give information on the nature of the transactions that would support their eventual recording in the books. Likewise, request the concerned banks to correct/adjust the errors in their records;

- b. Investigate and hold the persons accountable for their participation on cash withdrawals without supporting documents.

The case is still pending with the DOJ.

- c. Exert effort to recover the amount of overpayment of benefits to the payees who are already separated from the service.

Complied.

- d. Revert to cash checks which have become stale

Unclaimed checks are reverted to Cash Account

8. Cash Advances account includes long outstanding cash advances, executive check-up and confidential fund totalling ₱0.870 Million as at balance sheet date.

We reiterated previous recommendations that Management :

- a. Withhold from the outstanding monetary claims of separated/retired Officials and employees and apply fully to their unliquidated cash

Cash Advances totalling ₱0.870 Million was reduced by P.312M resulting in a net amount of P558M, due to the following reasons:

- 1. The unliquidated cash advance of Mr. Domingo dela Peña, former MWSS Cashier before privatization, totalling

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advances;

P.380M was reduced to P.113M due to the offsetting of his COLA claim. His outstanding balance will be deducted in full from his Retirement Gratuity claim which is now in process.

2. To settle the .045M unliquidated cash advance of Mr. Ronald G. Fontamillas in connection with his executive check-up, a demand letter was sent to him, copy furnished the Legal Services Department.

3. The outstanding monetary claim against Mr. Nestor P. Borromeo has been settled fully thru the deduction of his Personal Share from the Welfare Fund.

4. Finance Department has already forwarded the Liquidation reports of the Confidential Funds as early as 2 August 2010 to the Office of the Chairman-Commission On Audit (Main Office).

On December 13, 2010, AOM No. 2010-018 of the Office of the Chairman, COA, was issued citing the memo of the Confidential Fund and intelligence Fund of P374,643.84.

As of this writing, MWSS has yet to receive the Credit Notice from COA-Main Office.

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| b. Strictly implement the use of properly accomplished Requisition and Issue Slip (RIS) for all procurement of office supplies and materials. | Complied. |
| c. Submit to COA for audit and issuance of Credit Notice, all liquidations of cash advances that were previously pre-audited before recording the same in the books pursuant to COA Circular No. 2009-002 dated May 18, 2009. | Complied. |
| d. Obtain from the Office of the President an approval for the use intelligence/Confidential Fund and adhere to the guidelines set forth under COA Circular No. 2003-002; and | See Finding No. 19 |
| e. Stop the practice of charging to cash advances project- related expenses such as constructions and major renovations of office buildings. These types of expenses should be undertaken with an approved program of work | Complied. |

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and the payment should be made directly to the concerned contractor/supplier.

9. The presentation in the Financial Statements of the reciprocal accounts, Due to Operating Unit-RO and Due from Operating Unit-CO as two separate line items, Intra-agency receivables and Intra-agency payables, respectively, misstated the total assets and liabilities by undetermined amounts. Further, the correct balance of the reciprocal accounts cannot be ascertained because of absences of reconciliation and the practice of offsetting without authority and notification.

We recommended that Management reconcile the reciprocal accounts and eliminate them as in the consolidation process 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.

Partially implemented.
See Finding No. 10

10. The Corporate Operating Budget (COB) for the Fiscal Year 2009 of MWSS-Corporate Office of ₱422.3 million and Regulatory Office of ₱177.736 Million or a total of ₱ 600.046 Million did not pass the review and approval of the President through the Department of Budget and Management (DBM)

We reiterated our recommendation that Management seek the required approval by the DBM of its COB. Without the required approval, all payments under an un-approved COB shall be subject to audit disallowance

Complied.

11. Various bonuses, allowances and other benefits were authorized by the System's Governing Board and paid by Management without

Management stop the grant of bonuses, allowances and other benefits without sufficient legal basis. We further recommended that such types of disbursements

Partially implemented.
See Finding No. 15
For disallowances made in bonuses and benefits incurred in CY 2009, MWSS

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sufficient legal basis.	be recognized in Other Bonuses and Allowances account under Personal Services.	filed the appeal on January 28, 2011.
12. The continuous payment of Cost of Living Allowance (COLA) and Amelioration Allowance (AA) equivalent to 40 per cent of the basic salary, respectively, are in violation of the provisions of the Salary Standardization law.	We reiterated our recommendation on previous similar findings incorporated in the AAR that management discontinue the payment of COLA and Amelioration Allowance (AA) for lack of legal basis. All payments of COLA and Amelioration Allowance on top of their standardized salary rates shall be disallowed in audit.	See Finding No. 15 For disallowances made in bonuses and benefits incurred in CY 2009, MWSS filed the appeal on January 28, 2011.
13. The RATA paid to MWSS officials and employees in the total amount of ₱ 6.309 Million was not in accordance with the GAA prescribed rates and entitled positions.	<p>We reiterated previous recommendations in the 2008 AAR that management:</p> <ul style="list-style-type: none"> a. Apply GAA-rates in the payment of RATA b. Discontinue the grant of RATA to employees who are not entitled under the GAA c. Cause the refund of transportation allowances of officers and employees who are using government service vehicles 	See Finding No. 16 For disallowances made in bonuses and benefits incurred in CY 2009, MWSS filed the appeal on January 28, 2011.
14. The officials and employees of MWSS were paid hazard pay in the total	Reiterated COA's 2008 recommendation that Management discontinue the	See Finding No. 17 For disallowances made in

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amount of ₱2.306 Million from January 1 to December 31, 2009, although their office located at MWSS Compound Old Balara, Quezon City, is not a strife-torn or embattled area, in violation of R.A. No. 9336 and the pertinent provisions of the DBM Publication Manual.

granting of hazard pay to MWSS officials and employees as this is without any legal basis.

bonuses and benefits incurred in CY 2009, MWSS filed the appeal on January 28, 2011.

We have disallowed payment of hazard pay amounting to ₱ 991,800 under various NDs

15. Payment of Extraordinary and Miscellaneous Expenses (EME) to the Board, officers and employees was not in accordance with the General Appropriations Act (GAA).

We reiterated our recommendation that Management adhere to GAA provisions in fixing EME rates and in granting them. EME paid in excess of the GAA prescribed rates and given to those not entitled shall be disallowed in audit.

See Finding No. 18

Management has discontinued the grant of EME In CY 2011.

16. The grant of Collective Negotiation Agreement (CNA) Incentive for Calendar Year 2009 amounting to ₱34.299 Million was not in accordance with the conditions cited under DBM Budget Circular No. 2006-01 dated February 1, 2006.

We recommended that Management strictly follow the provisions of Administrative Order No. 135 dated December 27, 2005 and Budget Circular No. 2006-01 dated February 1, 2006 prescribing the policy and procedural guidelines on the grant of CNA Incentive.

Management commented that most of the allowances included as CNA incentives are traditional benefits under Exhibit F of the Concession Agreement which were approved by the President through his alter ego, the Secretary of Department of Public Works and Highways (DPWH).

Being traditional benefits and even without the CNA, the MWSS employees are therefore entitled to the questioned benefits.

COA issued several NDs on some allowances included in the CNA.

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<p>17. MWSS-Corporate Office hired an excessive number of Contract Service personnel, installing 69 COS, representing fifty percent of the total regular employees of 137. The contracts were not submitted to the CSC-RO concerned for review purposes as required under Memorandum Circular No. 17 and 24 series of 2002.</p>	<p>We recommended that Management strictly follow the guidelines to contract services provided under Memorandum Circular No. 17 and 24 , Series of 2002, particularly on the submission of the contract to the CSC Regional Office concerned for the review of its stipulations, and limit the hiring of COS personnel to those that are extremely needed and necessary only.</p>	<p>Complied.</p> <p>Management already terminated the services of all the contract of service personnel.</p>
<p>18. A number of disbursement vouchers (DV) for the payment of various benefits granted to the Board of Trustees, Officers and employees were noted to have been paid without the certifications or the signatures of the proper personnel rendering the disbursements of funds irregular.</p>	<p>We recommended to Management that the Administrator or his duly designated representative shall be the one to certify and sign Box No. 1 of the DVs for payments made to the Board. We also recommended that Management institute and implement controls on disbursements to ensure that DVs are properly accomplished/approved before payment/release of check/s made.</p>	<p>Complied.</p>
<p>19. Summary of Unsettled suspensions, disallowances and charges</p> <ul style="list-style-type: none"> • NDs, NSs, and NCs issued prior to 2009 • NDs,NSs and NCs issued in 2010 for 2009 transactions. 	<p>Recommended that Management obtain the requisite approval of the benefits granted either from the President or the DBM.</p>	<p>MWSS filed the appeal on January 28, 2011.</p>
<p>20. The MWSS has not fully institutionalized Gender and Development and complied</p>	<p>We recommended that management strictly implement the provisions of</p>	<p>Not complied.</p>

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with the requirements set under EO No. 273 and Joint Circular No. 2004-1 dated April 5, 2004

EO No. 273 and Joint Circular No. 2004-01 and the pertinent provision of the GAA, particularly on the provision of the required budget and the preparation of the Annual GAD Plan and Budget of the System.

See Finding No. 23