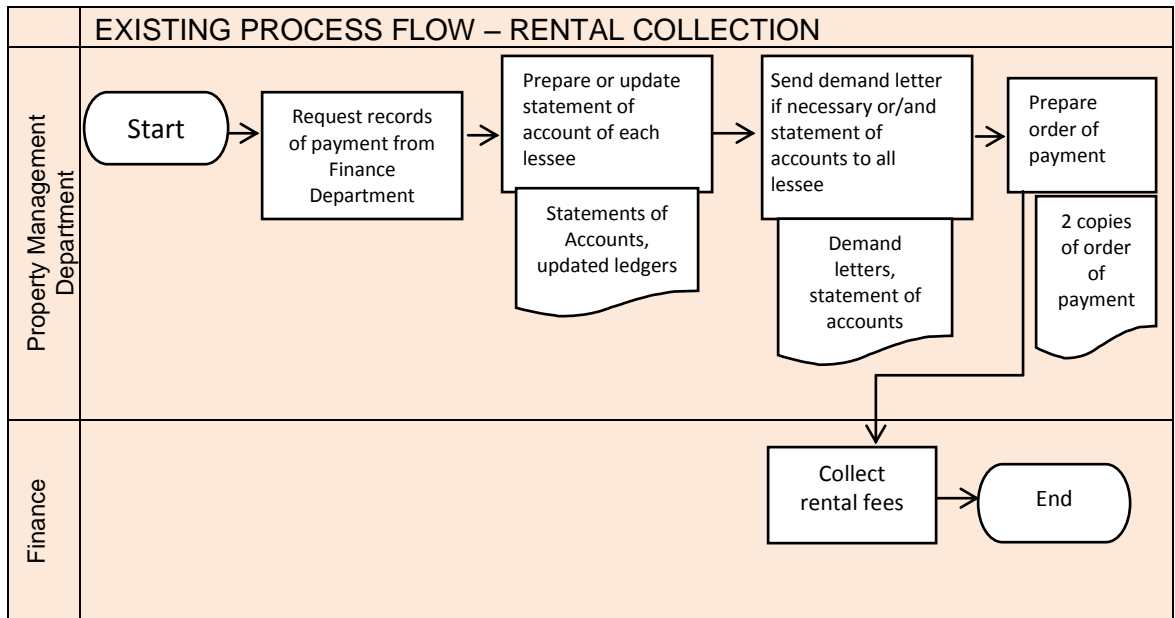


- 5.9. The same provisions (Sections 6.4 and 10.4) appear in the Concession Agreement between MWSS and MWCI.
- 5.10. **We recommended that Management immediately resolve with the Department of Finance and the Bureau of Treasury the issue on whether the disbursements for the AWSOP before privatization recorded as Loan Payable JBIC/OECF in the amount of P140.138 million is to be treated as equity from the National Government or will remain loan as it is the concessionaires who implemented the project.**
- 5.11. **We further recommend that should the recorded loan to JBIC/OECF continue to be treated as loan, the Management require the immediate remittance of the amount of P140.138 million to the National Government received from the concessionaires intended for the debt servicing to JBIC/OECF.**
- 5.12. On the shortfall of P6,715,941, we are pleased to note that the amount was already collected from the Concessionaires in CY 2013.
6. **Sound internal control practices were not observed in the handling of income from the Right of Way (ROW) properties, namely: complete control by the Property Management Department overbilling, accounting and monitoring of ROW lease collection; inclusion of negative balances in the *Other Receivables – Leased Property* accounts; and absence of lease contracts; thus, allowing opportunities for possible errors and irregularities.**
- 6.1. MWSS collects income from lessees of Right of Way Property. The flow of transaction for the collection of rental is shown in the following flowchart:



- 6.2. Our audit of the Other Receivable-Leased Properties in the aggregate amount of P3,819,007.42 revealed weaknesses in internal controls, as follows:

- 6.2.1. The Property Management Department (PMD) had complete control over the billing, accounting and monitoring of ROW lease collection. There was no clear separation of billing, accounting and monitoring functions on ROW properties. The PMD instead of the Finance Department handled the preparation and issuance of the Statement of Account and Order of Payment (OP) to lessee for the payment of lease rental to the Cashier. The PMD was also in-charge of the monitoring of the payments by the lessees. Thus, the correctness of the amount billed including the computation of penalties and arrearages and corresponding taxes to be withheld was not ascertained.
- 6.2.2. The Statement of Account, which is the basis for the preparation of the Order of Payment, was not prepared by the Finance Department. Thus, the amount collectible cannot be established and there was no assurance that the amount collected was correct. For CY 2012, analysis of rental income from ROW Properties showed collections from 42 lessees amounting to P1,133,516.60.
- 6.2.3. Since the Orders of Payment and Statement of Account issued to lessees were not forwarded to the Finance Department prior to collection, there was no basis in recording the collectible amount as Other Receivables - Leased ROW property in the books of MWSS. This was the reason why the various ROWs being leased were not recorded under the Other Receivables—Leased Properties account. As of December 31, 2012, the account included only the following:

Table A.1.15.2.3		
Schedule of Other Receivables - Leased Properties		
Lessees	Amount	Status of Collections as of May 29, 2013
Balara Quarters (MWCI)	157,218.46	100%
Digitel Mobile	219,216.03	100%
Manila Water Co. (MWCI)	(1,386,862.89)	
Maynilad Water Services Inc. (MWSI)	3,974,216.82	100%
Multi Media Telephony	388,098.43	
Phil. National Bank (PNB)	72,870.69	100%
Phil. Water Works Association (PWWA)	3,643.67	100%
Quizon, Manuel	(36,680.89)	
Smart Communications	426,108.91	100%
J. Buniao (Canteen)	1,178.19	
Total	3,819,007.42	

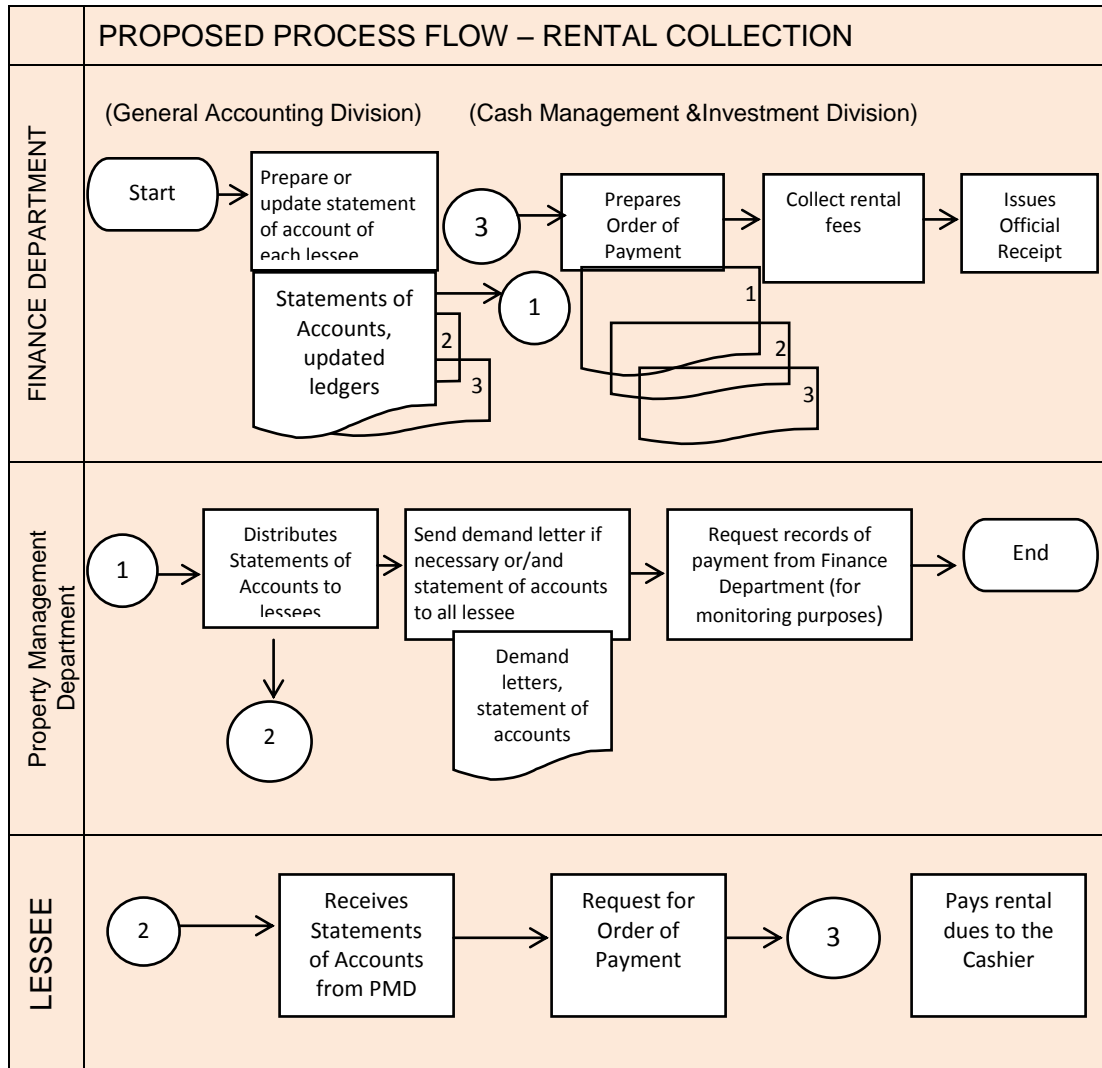
- 6.2.4. The above accounts showed negative (abnormal) balances which were the result of recording of collections as a credit to Other Receivables without a corresponding debit to the account.

6.2.5. The leases were not covered with contracts of lease. Interview with Estate Management Chief, Real Estate and Right of Way Division, PMD revealed that the contracts were no longer renewed, to avoid any problem/issue with lessees when the time comes that the property is needed by MWSS for the implementation of new projects.

6.3. Considering the number of lessees paying rent on ROW properties, it is necessary that sound internal controls be put in place. Moreover, this will help MWSS determine whether there are other uncollected revenues from lease on ROW properties.

6.4. **We recommended that Management:**

- a. **Ensure that the incompatible functions are assigned to different offices such that the billing and accounting functions are done by the Finance Department and the monitoring done by the Property Management Department as shown in the proposed flowchart for the collection of rental income:**



- b. **Require the concerned departments to coordinate in the efficient collection of income on ROW leased properties; and**
- c. **Take appropriate action to put the lease on ROW properties in proper order by providing each with a contract of lease subject to conditions which Management may deem appropriate.**

6.5. Management has not given any comment on the audit observation.

7. Rental Income for the use of Right of Way properties totalling P1.57 million were not collected from 96 lessees due to leniency in the collection of rental fees and the lack of contract of lease.

7.1. Under MWSS Board Resolution No.196-96 dated December 6, 1996, the Aqueduct Right of Ways (ROWs) which were transferred to the concessionaire may be leased by MWSS to the public through public bidding after consultation with the concessionaire.

7.2. To provide the guidelines and procedures on leasing MWSS' Right of Ways and its idle properties, MWSS Memorandum Circular No. 02-11 dated July 22, 2012 was issued with the following objectives:

- a. To generate additional income from MWSS ROW thru lease rental to adjacent lot owners and non-adjacent lot owners including unauthorized settlers/squatters who have already established their residence within the MWSS properties and who manifested their intention to lease;
- b. To provide legal instruments that will make it possible for MWSS to peacefully terminate the stay of its lessees in case the System needs the property for whatever development plans or for maintenance work of the pipes underneath; and
- c. To avert further intrusion of squatters in MWSS ROW since the lease contracts shall contain provision where the lessees shall be held responsible to prevent the entry of unauthorized occupants or third persons into the leased premises.

7.3. Records from the Real Estate and Right of Way Division, Property Management Department, showed that there were 138 lessees for the ROWs. These are located in the following areas:

BALARA - SAN JUAN AQUEDUCTS RIGHT OF WAY	97
BAGBAG TANDANG SORA AQUEDUCT RIGHT OF WAY	4
BIGTE- LA MESA AQUEDUCT RIGHT OF WAY	4
MONTALBAN - BALARA AQUEDUCT RIGHT OF WAY	21
LA MESA - BALARA AQUEDUCT RIGHT OF WAY	10
BALARA COMPOUND	1
CORNER VENTURA AND KATIPUNAN ROAD	1
Total	138

7.4. For CY 2012, the amount collected from the 42 lessees totalled P2,559,747.14. The remaining 96 of the 138 registered lessees have not been paying their leases in the total amount of P1,571,325.98.

7.5. Our audit of some ROWs properties disclosed the following:

7.5.1. Our inspection of the Bigti Aqueduct Right of Way property disclosed that a marketplace (Bigti Market) and a school (Academia de San Lorenzo School) were constructed in the main ROW as shown in the pictures below.



- 7.5.2. We found that San Lorenzo School has not paid rent since it started using the area due to the absence of a covering lease contract. Our Audit Team was also informed that checks payable to MWSS covering the period June 1996 to June 2011 were already issued but were returned by MWSS.
- 7.5.3. In the case of Bigti Market, the last payment was made on December 17, 2012 for the period June to October 2012. However, there were no payments made from July to December 2010, January – December 2011, January – May 2012 and November –December 2012. Likewise a lessee of Bigti Market informed our Audit Team that checks, as payment for the period July – December 2010, were not accepted by MWSS. During the exit audit conference on May 22, 2013, Management explained that they did not accept the checks because they want the area to be vacated to protect the Bigti Aqueduct Right of Way. However, our audit disclosed that contrary to this explanation, there were payments received by MWSS from the tenants of the Bigti Market in December 2012 for the period June to October 2012.
- 7.6. We also observed that for CY 2012, there was no income collected from the private transport contractor of MWSI for the use of the 1500 sq.m. of land located within the Balara Building Complex which is being used as parking area for MWSI service vehicles. Moreover, all the contracts of leases for the use of these ROWs had already expired and were not renewed.
- 7.7. We further observed that there were lessees paying rent income from ROW per Accounting Records but not included in the list from PMD, namely:

Names	Amount paid in 2012
DE LA CRUZ, BERNARDO	1,724.80
ABDA CONSTRUCTION	123,070.44
CLEOFAS, LEONARDO	47,039.43
DESQUITADO, MYRNA	19,702.72
LOLITA, OSIT	2,240.00
RONQUE, FIDEL	39,611.39
TOLIBAS, GERONIMO	73,920.00
LASER FREIGHT	<u>235,916.77</u>
Total	<u>543,225.55</u>

- 7.8. Despite the two MWSS issuances/guidelines on the management of leased properties particularly the ROWs, Management has not been complying enough to satisfy its intended purposes, specifically in enforcing collection of rental fees and in renewing the lease agreements/contracts. Management should have maximized the opportunity to generate additional revenue for MWSS.
- 7.9. ***We recommended that Management:***

- a. ***Enforce the collections of all rental fees on the use/lease of MWSS properties strictly in accordance with the issued guidelines;***

- 9.1. COA Circular No. 86-248-A dated March 17, 1986 states and we quote –
- "Accordingly, it is hereby directed that cashiers, disbursing officers or other officials entrusted with the task of paying the salary or any money due the government official or employee or issuing the treasury warrant/check covering the amount, shall pay the same directly to such official or employee except when authority to collect the salary or any money due him/her has been given to another person under a power of attorney or other forms of authority and the person so authorized is an immediate member of the family of the official or employee concerned or is the liaison officer duly designated by the Chief or Head of unit, office or agency". (emphasis supplied)*
- 9.2. The disengagement of the Bantay Kalikasan from the Ipo Watershed management activities had forced upon MWSS the obligation to manage and secure the 560 hectare plantation. Funds for the reforestation program were provided by the two Concessionaires and recorded in the MWSS Corporate Office books of accounts as Other Payables -Trust Liabilities. For CY 2012, funds received amounted to P7,955,930.
- 9.3. For the reforestation program, MWSS hired 162 workers, who are members of People's Organization who previously reforested the area, on a job-order status. MWSS paid the salaries of the workers thru a cash advance issued to a Special Disbursing Officer under Office Order No. 2012-060. Review of the liquidation documents submitted showed that the payrolls were signed by the workers. However, the same was first received by the seven representatives of the People's Organization as shown in the signed acknowledgement receipts and the latter in turn distributed the salaries to the workers.
- 9.4. Allowing the representatives of the People's Organization to receive the salaries of the workers was not pursuant to COA Circular No. 86-248-A, as there was a risk that the actual salaries were not received by the workers.
- 9.5. ***We recommended that Management strictly comply with the provisions of COA Circular 86-248-A.***
- 9.6. Management explained that the funds used for the payment of the salaries of the Ipo Workers come from the Concessionaires pursuant to the Memorandum of Agreement dated December 16, 2009. MWSS merely acts as a paymaster and documenter for and on behalf of the Concessionaires. Security and Safety concerns constrained the strict and literal compliance with COA Circular 86-248A in that:
- 9.7. Management also informed that MWSS has already conveyed COA's observations to PNB Balara. It is hoped that MWSS and PNB Balara and Tungko can agree on the disbursement procedure that meets the requirements of COA Circular 86-248A and the security concerns of PNB Tungko. They will inform COA once an agreed procedure mentioned in the foregoing paragraph is had and/or when the Concessionaires have fully taken over the process of physically paying and distributing the salaries of the Ipo Workers.

- 9.8. Management further commented that requiring the workers to come down from Ipo to personally receive their individual pay from the MWSS cashier at Balara caused undue cost and burden to the 162 job workers. Physically transporting the total cash payroll amount from PNB Balara to Ipo Dam site is a security risk that MWSS is not willing to expose its employee-‘paymasters’ to. PNB Balara agreed and arranged inter-branch transfer and use of branch premises with PNB Tungko San Jose del Monte Branch. Likewise, PNB Tungko agreed, despite its small floor area, to accommodate on the condition that there should be no crowding and long lines during the release of the salaries. PNB Tungko explained that crowding and long lines may allow criminals to insert themselves into the group and stage a hold-up or robbery and/or will give the negative impression that PNB is suffering a bank-run. Hence, the procedure subject of COA’s observation.
10. **MWSS Corporate Office paid P0.215 million for 21 students under the Special Program for Employment of Students (SPES) for the year 2012 without complying with the criteria and requirements as provided under the Implementing Rules and Regulations of RA 9547, thus, defeating the purpose of the government program.**
- 10.1. Executive Order No. 139 dated November 28, 1993 created the President’s Youth Work Program (PYWP) which is a year-round implementation of eight component programs of the President’s Summer Youth Work Program (PSYWP). Among these programs are the following:
- a. *Government Internship Program (GIP)*
- (1) The GIP shall seek to initiate its youth participants into public service by involving them with government programs and projects, through the various departments and agencies. The implementation of the program components shall be coordinated by the Presidential Council for Youth Affairs (PCYA). The participant shall receive a reasonable monthly monetary stipend equivalent to 75% of the existing minimum daily wage but not more than P240.00 per day, whichever is higher, to be released on the 15th and 30th of every month.
- (2) It is open to the youth between ages 18-25 years under these categories:
- High school students
 - College/Vocational students to be recruited on the basis of their field of study
 - Out-of-school youth who are poor but deserving
 - College graduates with interest in working in government.
- b. *Special Program for Employment of Students (SPES)*
- (1) The objective of the SPES is to develop the intellectual capacities of children of poor families and harness their potentials for the country’s development. Specifically, the Program aims to help poor but deserving students pursue their education by providing income or augment their income by encouraging their employment during summer and/or Christmas vacations.
- (2) The student shall be paid the salary or wage not lower than the applicable minimum wage for private employers or the applicable hiring rate for the national or local government agencies. The sixty percent (60%) of his/her salary or wage shall be paid by the employer in cash, while the remaining

forty percent (40%) of the applicable minimum wage or hiring rate shall be paid by the DOLE.”

- 10.2. The MWSS Administrator issued Office Order No. 2012-45 dated April 3, 2012 authorizing the hiring of 31 students under the GIP to be deployed under its different offices and department. On May 7, 2012, the Administrator issued another Office Order No. 2012-063 authorizing the hiring of 21 students under the SPES stating the name of the 21 students, date of assumption to duty and work station.
- 10.3. We noted that certain provisions of the Implementing Rules and Regulations (IRR) of RA 9547 entitled “*An Act Strengthening and Expanding the Coverage of the Special Program for Employment of Students, Amending for the Purpose Provisions of RA 7323*, otherwise known as the Special Program for Employment of Students” were not complied by MWSS relative to the employment of students under SPESas discussed below.

a. *On Rule II: Coverage (Section 1) -*

The program is offered to poor but deserving students who are between 15 to 25 years old who are enrolled or Out-of-School Youth (OSY) intending to enroll in any secondary, tertiary, technical or vocational education institution. However, interview with Management revealed that 17 out of 21 students employed come from the University of the Philippines. Some students are seen bringing along their own laptops to the office.

b. *On Rule III: Eligibility and Requirements for Employment (Sections 1, 3, 4 and 5) –*

Our audit disclosed that the provisions in Sections 1 (Qualifications), 3 (*Requirements for Employment*), 4 (*Filing of Application*) and (*Processing of Application*) were not complied with by Management.

Validation of qualification standards of students such as age, average passing grade, poverty level of students and income level of parents cannot be done due to non submission of the requirements set forth under Section 3. Management also disclosed that the students were hired without submitting the documentary requirements at the Human Resource and Records Management Division. Since students applied directly at MWSS instead of filing their application at PESO as prescribed under Section 4 above, the documents were not evaluated by the PESO staff who are directed not to accept incomplete documentary requirements.

c. *On Rule IV: Terms and Conditions in the Employment of Students*

Audit of disbursement vouchers for the wages of the students also lacked the required Contract of Employment together with other supporting documents as required in Sections 1 and 2.

- 10.4. Our audit also disclosed that those 21 students hired under the SPES Program during the year per MWSS Office Order No. 2012-063 dated May 7, 2012 were hired for a period of two months effective April and May 2012 and were assigned at the Office of the Deputy Administrator for Administration and Finance, Engineering, Finance, Property Management and Internal Audit Departments. MWSS paid each student 75% instead of 60% of the minimum wage of P426 as prescribed under Section 3, resulting in an overpayment of 15% or P63.90 per student per day. For CY 2012, the 21 students were paid a total of P214,795.63 which is P32,219.34 or 15% higher than the prescribed rate as shown below:

Total payment for 21 students -	P214,795.63
Excess rate	X 15%
Overpayment	P 32,219.34

- 10.5. ***We recommended that Management employ only those students qualified under the SPES program and strictly adhere with the provisions specified under the IRR of RA 9547 in order that the objective of the government program may be attained.***
- 10.6. Management informed that they were able to satisfy the criteria and conditions in the employment of GIPS. It was unfortunate, however, that in the Certificate of Availability of Fund (CAF) dated May 16, 2012, the particulars indicated was for SPES when in fact the Remark at the bottom of the CAF was “Chargeable against Operating Budget CY 2012 as per Office Order No. 2012-45 dated April 3, 2012” which was for GIPs. Management informed that they shall be more mindful in the preparation of the CAF and corresponding vouchers and expressed that the government did not incur any loss from the error. They further stated that the hiring of these students was done in good faith and in support of RA 9547 and other similar laws that promote the national government's initiatives to open employment opportunities to poor but deserving students as well as those who are interested to pursue a career in the government service.
- 10.7. ***As our rejoinder, contrary to the explanation that the error was only on the preparation of the CAF, there was another office order issued (Office Order No. 2012-063 dated May 7, 2012) stating the hiring of students was under the SPES. The issue remains that no validation could be made as to whether the students qualified under the SPES or GIP and attained objective of the program due to lack of documents that would show compliance with the Terms and Conditions and Eligibility requirements specified under the IRR of RA 9547 for SPES or the GIP***

A.1.2 MWSS Regulatory Office (RO)

1. **Accrual of obligation for Consultancy Services by MWSS-RO in the amount of P88.850 million in CY 2012 at year-end was not properly documented, as consultancy contracts were signed only in the following year.**
 - 1.1 Paragraph 60 of the Framework for the Preparation and Presentation of Financial

Statements for Liabilities provide that an essential characteristic of a liability is that the entity has a present obligation which may be legally enforceable as a consequence of a binding contract or statutory requirement.

On the other hand, Section 4(6) of P.D. 1445 states that claims against government funds shall be supported with complete documentation.

- 1.2 Included in the Maintenance and Other Operating Expenses for CY 2012 are obligations for two Consultancy Services contracts in the amount of P88,850,000. Verification revealed that Journal Voucher was not supported with documents to support the accrual of consultancy services, and that the Consultancy Services contracts for Rate Rebasing and Valuation of Assets and Review and Authentication of the Concessionaire's Asset Condition Report were signed only on March 1, 2013 and March 8, 2013 respectively.
- 1.3 The recognition of the payable account without valid claim and subsisting contract overstated the operating expenses and payable accounts by P88,850,000. The operating expenses recognized simultaneously with accounts payable should be recorded only in the accounting period in which the economic benefit associated with it is received.
- 1.4 ***We recommended that Management record Liabilities in the books of accounts only when there is a present obligation as a consequence of a binding contract or statutory requirement as defined in paragraph 60 of the Framework for the Preparation and Presentation of Financial Statements for Liabilities and that all obligations be supported with complete documentation as required under the Section 4.6 of P.D. 1445.***
- 1.5 Management gave the following explanations:
 - a. The situation prevailing then was that the procurement process for the two above consultancy services were already in the final stages of the negotiation with the prospective bidders.
 - b. Reversing the payable recognition will effectively cancel the CAF and the ABC in the middle of the procurement process. This may violate the above provisions of RA 9184 leading to misrepresentation on the part of RO to the prospective bidders who were made to believe that the funding is available and these may expose the RO to possible legal dispute.
 - c. Furthermore, if they were to reverse the recognition of the accrued payable and expenditure in 2012 when it was budgeted and charged the expenditure in 2013 when the economic benefit it supposedly being received, technically, they would be disbursing funds without an approved budget which is not allowed in audit.
 - d. RO shall strictly comply in accordance with Sec. 60 of PFRS and Sec. 4 (6) of PD 1445.
- 1.6 Contrary to the above Management explanation, the procurement of the said consultancy service contracts was not included in the DBM approved Corporate

Operating Budget of the Regulatory Office. As stated in Comments and Observations No. 7 Section A.2.2, actual expenditures exceeded the DBM approved operating budget by P121 million and the bulk of the variance was largely due to the excess expenditure for Consultancy Services in the amount of P88.85 million.

2. Loan granted to MWSS-RO Multi-Purpose Cooperative for land development and house construction in the amount of P25.000 million in CY 2005 was not supported by a contract. Moreover, no payment for the loan has been received from the said Cooperative.

2.1 Included in the Loans Receivable was an account of the MWSS-RO Multi-Purpose Cooperative in the amount of P25,000,000.00 which has been long outstanding since it was granted in CY 2005, paid under Disbursement Voucher No. 0565 dated August 1, 2005..The loan was seed money of the MWSS–RO Multipurpose Cooperative for the land development and housing construction in MWSS real property located at Barangay Greater Lagro, Novaliches, Quezon City, as the proposed RO Housing Project, specifically described as follows:

“A parcel of land, Lot 1-B-1 of the proposed subdivision plan, (being a portion of Lot 1 (LRC) Pcs – 8998, LRC Rec. No. 6563), situated in Novaliches, Quezon City, Metro Manila, Island of Luzon. Bounded on the North, along lines 5-6-7 by Lot 1-A (MWSS Housing Project); on the East, along line 7-1 by Lot 670-A, Pcs-7 (La Mesa Road); on the South and west, along lines 1-2-3-4-5 by Lot 1-B-2, of the proposed subdivision plan. Beginning at a point marked ‘1’ on plan, being S.17 deg. 55'E., 223.36 m. from LM No. 11, Tala Estate; thence N.84 deg. 18'W., 93.50 m. to point 2; thence S.5 deg. 42'W., 23.00 m. to point 3; thence N.84 deg. 18'W, 62.30 m. to point 4; thence N.5 deg. 42'E., 189.75 m. to point 5; thence S.60 deg. 02'E., 138.00 m. to point 6; thence N.29 deg. 58'E.,” (Board Resolution No. 2005-102- Annex 1)

2.2 The release of the amount was approved by virtue of the Board Resolution Nos. 2004-01 and 2005–135 on a condition that the same shall be used for the RO housing project only. The amount was confirmed received by the MWSS-RO Multi-Purpose Cooperative.

2.3 Inquiry on the status of the project revealed that its implementation was held in abeyance because the conversion of portions of Balara and La Mesa Dam for Subdivision Housing of MWSS-CO and RO officers and employees has been under the scrutiny by the Members of the Legislature.

2.4 Considering the above, it appears that the attainment of the purpose for which the loan was granted may not be achieved in the near future and that the possibility that the loan will be repaid by the Cooperative is nil. Therefore, the return of the P25 million loan should be initiated by the MWSS-RO.

- 2.5 In addition, verification of the payment disclosed that the Disbursement Voucher was not supported by Contract between MWSS-RO and MWSS-RO Multi-Purpose Cooperative, contrary to basic requirements applicable to all classes of disbursements under Item 4 of COA Circular No. 97-004, which requires, among others, the submission of proper evidence to support the claim.
- 2.6 On February 15, 2013 we requested MWSS-RO to submit all the supporting documents, particularly, the Contract/Agreement entered into between MWSS-RO and MWSS-RO Multipurpose Cooperative. To date, however, no submission has been made to the Audit Team.
- 2.7 The non-submission of the documents under COA rules and regulations is a ground for the issuance of a Notice of Suspension on the transaction and may mature into a disallowance if not complied within ninety days from the date of receipt of thereof.
- 2.8 ***We recommended that Management:***
- a. ***Take initial action to demand MWSS-RO Multipurpose Cooperative for the return of the P25.00 million loan; or***
 - b. ***Cause the immediate submission of the contract between MWSS-RO and MWSS-RO Multipurpose Cooperative to support the grant of the loan in compliance with Item 4 of COA Circular No. 97-004.***
- 2.9 ***We will issue the necessary Notice of Disallowance should no documents to support the loan granted to the MWSS – RO Multipurpose Cooperative be submitted by the MWSS – RO.***
- 2.10 We have not received any explanation from Management on the audit observation.

3. **Actual Extraordinary and Miscellaneous Expense (EME) exceeded the DBM-approved budget by P702,793.**

- 3.1 The DBM-approved Corporate Operating budget of MWSS-RO for CY 2012 required that disbursements for the Extraordinary and Miscellaneous Expenses(EME) be subject to Section 23, General Provisions of RA No. 10155 (General Appropriations Act for FY 2012). The amount approved by DBM for EME was P562,000.
- 3.2 Using the prescribed rates in the GAA for 2012, the payments of the EME should only be to the following MWSS-RO officials:

	SG	Extraordinary Expense	Miscellaneous Expense	Total
Chief Regulator	29	50,000.00	72,000.00	122,000.00
Deputy Administrator(4 x 110,000)	28	38,000.00	72,000.00	440,000.00
				<u>562,000.00</u>

- 3.3 However, we noted that there were MWSS-RO officials not entitled to EME but also claimed EME in the total amount of P702,793.07, with details below.

Position	Salary Grade	Actual Expenditures
DM for FAAMD	26	58,666.64
ADM for FAAMD	26	29,333.32
DM for Customer Complaints	26	87,301.81
DM for TCMD	26	7,333.33
ADM for TCMD	26	21,999.99
ADM for TCMD	26	43,999.98
DM for Legal	26	65,999.97
ADM for Legal	26	14,666.66
DM for Metering Efficiency	26	7,333.33
ADM for Metering Efficiency	26	80,559.77
DM for Water Quality	26	585.00
ADM for Water Quality	26	36,666.65
DM for Administration	26	87,999.96
ADM for PID	26	80,418.32
DM for Operations and Monitoring	26	79,928.34
Total		702,793.07

- 3.4 ***We recommended that Management grant Extraordinary and Miscellaneous Expense only to those entitled to claim such expenditure as prescribed under the GAA.***
- 3.5 Management explained that based on the Qualification Standards issued by the Civil Service Commission, all of those positions mentioned in Section 23 of the 2013 General Appropriations Act (GAA 2013) particularly the position of Municipal Trial Court Judge, Municipal Circuit Trial Court Judge, and Shari'a Circuit Court Judge are of equivalent rank as that of the Department Managers of the Regulatory Office. Also, in the government wide performance audit on the allocation and utilization of discretionary and extraordinary and miscellaneous funds by MWSS for 2008, the Commission on Audit recognized the entitlement of the DM to the EME.
- 3.6 As our rejoinder, by applying the GAA prescribed rates for EME based on DBM-approved budget for CY 2012 in the amount of P562,000, only the Chief Regulator and four Deputy Administrators were made entitled to EME by the DBM. While the Department Managers of the Regulatory Office are of equivalent ranks as the Municipal Trial Court Judge, Municipal Circuit Trial Court Judge, and Shari'a Circuit Court Judge entitled to EME of P16,000 as per Section 23 of the GAA, the DBM-approved budget limited the EME to P562,000. Moreover, it should be pointed out that it is the DBM which determines the equivalent rank of the agency officials as provided in Section 23 of GAA for FY 2012, a reiteration of the provision in every GAA. Hence, the approved amount of P562,000 was computed by the DBM based on the equivalent ranks of MWSS officials who are entitled to receive EME.

- 3.7 ***In this regard, we also recommend that Management require the refund of the EME by the MWSS officials who were not among the officials entitled to receive EME. Otherwise, the necessary Notice of Disallowance will be issued.***
- 3.8 It is informed that we have requested the DBM in our letter dated July 1, 2013 to determine the equivalent ranks of the positions in the MWSS entitled to receive EME as provided in Section 23 of GAA for CY 2012, as no such equivalent ranks were submitted by Management.
4. **Procurement of MWSS-RO equipment and supplies approximately amounting to P0.831 million was undertaken without the Annual Procurement Plan as required under Section 7 of RA 9184.**
- 4.1 Section 7.1 of RA 9184 states that no government procurement shall be undertaken unless it is in accordance with the approved Annual Procurement Plan of the Procuring Entity.
- 4.2 Review of the procurement activities of MWSS-RO disclosed that its procurements for CY 2012 were undertaken without an approved Annual Procurement Plan contrary to the above quoted provisions of RA 9184. Copies of the MWSS-RO Annual Procurement Plan for CY 2012 and its Board Approval were requested. Thus, procurement of equipment, office supplies, IT supplies worth P 830,962.59 were undertaken without the approved APP.
- 4.3 ***We recommended that Management comply strictly with Section 7.1 of RA 9184.***
- 4.4 Management has not submitted any comment on the audit observation.
5. **Policy on monetization of leave credits under Section 22 of Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of Executive Order 292) was not observed, as employees were allowed to monetize their leave credits although their vacation leave credits were less than five days after monetization.**
- 5.1 Audit of the *Terminal Leave Benefits* account as of December 31, 2012 showed that nine employees were allowed to monetize their leave credits although their vacation leave credits are less than five days after monetization contrary to Section 22 of Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of Executive Order 292.
- 5.2 ***We recommended and Management agreed to strictly comply with the provisions set forth under Section 22 of Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of Executive Order 292 and CSC MC No. 41, s. 1998.***

A.1.3 Common to MWSS CO and RO

1. **No public bidding was conducted on the procurement of the General Services Contracts in the total amount of P4.19 million; and payments made were not covered with a contract agreement.**

1.1 Section 10 Article IV of RA 9184 which took effect on January 26, 2003 provides that all procurement shall be done thru competitive public bidding except as provided for in Article XVI of RA 9184. On the other hand, Section 53, Article XVI of RA 9184 sets the following conditions in negotiated procurement and is quoted as follows:

“Negotiated procurement – Negotiated procurement shall be only in the following instances:

- a. In case of two (2) failed bidding as provided in Section 35 hereof;*
- b. In case of imminent danger to life or property xxx;*
- c. Take-over of contracts, xxx;*
- d. Where the subject contract is adjacent or contiguous xxx; or,*
- e. Subject to the guidelines specified in the IRR, xxx.”*

1.2 Audit of the janitorial services for CY 2012 with payments totalling P4,187,541 revealed that:

1.2.1 No public bidding was conducted for the procurement of the janitorial services since 1988 and 2003 for the MWSS-CO and MWSS-RO, respectively, despite the effectivity of RA 9184 on January 26, 2003. It was only in CY 2003 that MWSS RO separated from MWSS Corporate Office in the procurement of the janitorial services. The negotiated contract provides that it should be automatically renewed on a month-to-month basis until such time that MWSS RO has properly acted in accordance with the law on the procurement of janitorial services. Due to the enactment of RA 9184 and its effectivity on January 26, 2003, the procurement of janitorial services since then should have been done thru public bidding.

1.2.2 In MWSS – CO, the payments for janitorial services in CY 2012 in the amount of P3,465,033.00 were not covered with contract agreement. Records showed that the original Contract Agreement for the provision of janitorial and other services was entered into by and between MWSS-CO represented by its former Administrator, and Laging Qlean Janitorial Services for the period January 1, 1988 to December 31, 1988 renewable for one year at the same price. The janitorial services contract was then extended/renewed every two years from 1990 to 1993. From 1994 to 2012, there was no record that would show that MWSS-CO had entered into a contract with Laging Qlean Janitorial Services.

1.2.3 In MWSS-RO, a negotiated contract which commenced on July 1, 2003 was entered into between MWSS-RO, represented by its former Chief Regulator and Laging Qlean Janitorial Services, represented by Placido O.

Urbanes, Jr. We found the negotiated procurement in CY 2003 not in accordance with the abovementioned provisions of RA 9184. The negotiated contract of MWSS-RO for janitorial services entered in CY 2003 provided that in case the agreement was not renewed, it should be automatically renewed on a month-to-month basis until such time that MWSS RO has properly acted in accordance with the law on the procurement of janitorial services. Total payments during the year amounted to P722,508.

- 1.2.4 Therefore, the payments for Janitorial Services which were all based on negotiated contracts awarded not in accordance with the provisions of Articles IV and XVI of RA. 9184 were considered illegal expenditures of government fund because under COA Circular 2012-003 dated October 29, 2012, payment of claims not awarded in accordance with the provisions of RA 9184 and its Implementing Rules and Regulations are considered illegal expenditures of government funds.
- 1.3 On the other hand, audit of the security services in MWSS RO revealed the following:
 - 1.3.1 No public bidding was conducted after the lapse of the contract on December 31, 2002 for the provision of Security Services despite the effectivity of RA 9184 on January 26, 2003. Records showed that the last public bidding conducted by MWSS-RO for the procurement of security services was in 2002. Provision for security services is necessary to secure and protect the MWSS-RO premises, personnel and its properties located at 3rd Floor, Engineering Building, MWSS Complex.
 - 1.3.2 The payments for Security Services for the period January 1 to December 31, 2012 in the total amount of P1,356,137.33 were not covered with a valid contract agreement. There were no contract agreements for the procurement of security services since 2003. Verification revealed that the last contract agreement was dated October 24, 2002 entered into by MWSS-RO represented by its former Chief Regulator with Top Star Protective Security Corporation represented by Col. Felimon S. Agustin (Ret.) for the latter to provide security services for the period from November 2, 2002 to December 31, 2002. Under Section C (9) thereof, the contract may be renewed by the parties subject to compliance with the requirement of Executive Order No. 301 series of 1987 and other laws on renewal of contract for public service. In case the contract was not renewed, it would automatically be renewed on a month-to-month basis until such time that MWSS-RO has properly acted in accordance with the law, regarding the procurement of security services.
 - 1.3.3 The provision of the governing security service contract on automatic renewal was not in accordance with the provisions of RA 9184. Therefore, the payments for Security Services for the period January 1 to December 31, 2012 and from 2003 to 2011 which were all based on negotiated contracts awarded not in accordance with the provisions of Articles IV and XVI of RA 9184 were considered illegal expenditures of government fund. Under COA Circular 2012-003, .payment of claims not awarded in

accordance with the provisions of RA 9184 and its Implementing Rules and Regulations are considered illegal expenditures of government funds.

- 1.3.4 The GPPB under Non Policy Opinion (NPM 11-2006) dated April 11, 2006 has ruled in reply to a query by the DOH – Regional Field Office VII on whether or not a government agency is mandated to conduct an annual public bidding for the general support services and we quote:

xxx. A perusal of the provisions of R.A. 9184 and its IRR-A would lead us to infer that what the law clearly intends is to have a totally new and separate procurement contract for general support services for each year to be reflected in the agency's Annual Procurement Plan (APP) and thereafter consistent with its duly approved yearly budget. Xxx"

- 1.4 ***We recommended that Management immediately conduct public bidding in accordance with Section 10, Article IV of RA 9184 and its Implementing Rules and Regulations and award a new Contract for the procurement of janitorial services.***
- 1.5 ***We further recommend that Management subject the said transaction to review to determine the accountability and/or culpability of officials involved in allowing the continuous payment for services rendered on general services contracts not procured through public bidding.***
- 1.6 Management of MWSS CO has not commented on the audit observation. The MWSS RO informed that the procurement through public bidding of their Janitorial and Security Services for CY 2013 was already included in their Annual Procurement Plan for CY 2013 approved by the MWSS Board of Trustees on April 25, 2013. They also explained that the MWSS - RO would always commence the procurement process by itself but compliance with the MWSS Board of Trustees' directive for RO to do them jointly with the CO had derailed the process. MWSS - RO relied on the CO's bidding which for one reason or another did not materialize, hence, they were constrained to resort to the automatic renewal provision of the contract to ensure continuity of the necessary services.
- 1.7 ***We will issue the necessary Notice of Disallowance on the above transactions.***

A.2 Reiteration of Prior Years' Audit Observations and Recommendations

A.2.1 MWSS Corporate Office

1. **The subsidiary ledger asset accounts totalling P1.80 billion representing 3% of MWSS' total assets of P53.31 billion (net of allowance for doubtful accounts of P1.64 billion and accumulated depreciation of P38.96 billion) and the subsidiary ledger liability accounts totalling P0.84 billion which was 5% of MWSS' total liabilities of P17.13 billion remained unreconciled with the General Ledger and unverified due to incomplete supporting documents. Hence, the balances of these**

accounts at year-end were doubtful of validity and accuracy that could overstate or understate the assets and liabilities accounts at year-end.

- 1.1 With the adoption by MWSS of the E-NGAS in 2007, subsidiary ledgers for all accounts are necessary. There were however General Ledger (GL) accounts with balances prior to privatization in 1997 with no subsidiary ledgers. To be able to establish the E-NGAS, all GL accounts without subsidiary ledgers were temporarily recorded to the 000-00-99 account. Subsequently, Management prepared the subsidiary ledgers for each of the GL accounts with 000-00-99 account subject to reconciliation/verification.
- 1.2 In CY 2011 Annual Audit Report, it was recommended that Management exert efforts in reconciling various assets and liability accounts with supporting documents in order to present fairly the financial condition of the agency. In reply, Management informed that they created the Task Force-Book Clean-up per Office Order No. 2012-001 which focuses on the reconciliation of all accounts to resolve the negative issues and findings, and avoid the misstatement of assets and liability accounts. Despite Management's commitment to have the adjustments in 2012 for the clean-up of the agency's books, many accounts remained unreconciled.
- 1.3 Review of balance sheet accounts showed that there are 76 subsidiary ledgers accounts in the total amount of P2,644,090,530.80 that are still for reconciliation with the General Ledger by Management as of December 31, 2012. These accounts are still subject to verification as to accuracy and validity of account balances due to incomplete documentary requirements when the recording was made in the books in CY 2007 in compliance with E-NGAS. The table below shows the details of the accounts per subsidiary ledger subject to verification/reconciliation.

Table A.2.1.1.3 Accounts Per Subsidiary Ledger Subject to Verification and Reconciliation Corporate Fund – Fund 05				
Account Title	Account Code	No. of sub-accounts	Balance	% to Account Balance
ASSETS				
<i>Due from Officers and Employees</i>	123	3	17,825,117.96	
<i>Loans Receivable</i>	126	1	900,000.00	13
<i>Due from Operating Units - Regulatory Office</i>	143-01-99	1	1,689,869.18	1
<i>Receivables - Disallowances/Charges</i>	146	1	609,942.00	51
<i>Other Receivables</i>	149	3	570,602.17	.01
<i>Deposit on Letters of Credit</i>	180	1	2,888,349.43	100
<i>Advances to Contractors</i>	181	1	73,197,766.64	20
<i>Other Prepaid Expenses</i>	185	4	19,577,362.70	54
<i>Land</i>	201-01-99	1	(10,319,400.00)	-0.08
<i>Buildings</i>	215	1	23,691,891.73	.04
<i>Office Equipment, Furniture and Fixtures</i>	221/223	2	262,618,569.84	94
<i>Machineries and Equipment</i>		5	773,727,886.88	93

Account Title	Account Code	No. of sub-accounts	Balance	% to Account Balance
Transportation Equipment	241	1	315,672,180.24	50
Construction in Progress	264	1	459,459,939.28	7
Other Assets	290	9	374,815,218.44	27
Temp. Assets Accts. (A/R previously requested for write-off)	301-02-99	1	(519,000,421.84)	-32
TOTAL		36	1,797,924,874.65	3
LIABILITIES				
Accounts Payable	401	1	89,973,928.20	16
Due to Officers and Employees	403	2	48,999,125.01	82
Due to BIR	412	1	(0.02)	0
Due to GSIS	413	15	1,692,034.41	63
Due to PAG-IBIG	414	2	111,068.74	53
Due to PHILHEALTH	415	1	29,275.00	35
Due to Other GOCCs	417	1	430,174.81	99
Total Intra-Agency Payable	423	1	523,932,729.19	100
Guaranty Deposits Payable	426	1	170,527,366.92	100
Performance/Bidders/Bail Bonds Payable	427	6	1,424,447.39	87
Other Payables	439	4	5,754,872.74	1
Other Deferred Credits	455	4	3,008,962.25	0.14
Total Liabilities		39	845,883,984.64	5
EQUITY				
Capital Stock	502	1	281,671.51	0.005
Total Liabilities and Equity		40	846,165,656.15	2
Total		76	2,644,090,530.80	

- 1.4 International Accounting Standard (IAS)1 defines Financial Statements as a structured representation of the financial position and financial performance of an entity. Financial statements shall present fairly the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework.
- 1.5 Following the definition cited in IAS 1, the year-end financial statements of MWSS did not reflect the structured representation of its financial position and financial performance considering that there were still various accounts for reconciliation. The unreconciled/unverified subsidiary ledger asset accounts of P1,797,924,874.65 was 3% of MWSS' total assets of P53,313,560,097.78 while the unreconciled subsidiary ledger liability accounts of P845,883,984.64 was 5% of

MWSS' total liabilities of P17,128,654,401.12. As such, the balances of these accounts at year-end were doubtful of validity and accuracy that could overstate or understate the assets and liabilities accounts at year-end and therefore affect the fair presentation of the Agency's financial position as of December 31, 2012.

1.6 Management informed that some of these accounts were already established and reconciled based on available documents. However, in 2009, the reconciliation was put to a stop when the contracts of the contractual employees doing the reconciliation of these accounts were not renewed.

1.7 The Finance Department presented the status of reconciliation of the accounts beginning CY 2007, when the e-NGAS was initially implemented, shown as follows:

**Table A.2.1.1.
Comparative Presentation of Accounts for
Verification /Reconciliation for CYs 2012 and 2011**

Account Title	Account Code	No. of sub-accounts	2012	2011	balance beginning of 2007	Status of Reconciliation
ASSETS						
Due from Officers and Employees	123	3	17,825,117.96	17,825,117.96	50,867,591.53	For reclassification to Receivables - MCMC
Loans Receivable	126	1	900,000.00	900,000.00	2,284,113.16	No Information was submitted by Management
Due from Operating Units - Regulatory Office	143-01-99	1	1,689,869.18	1,689,869.18	(5,653,014.00)	Issue to be resolved by Management
Receivables - Disallowances/Charges	146	1	609,942.00	609,942.00	609,942.00	dormant since 1997
Other Receivables	149	3	570,602.17	426,222.13		No Information was submitted by Management
Deposit on Letters of Credit	180	1	2,888,349.43	2,888,349.43	2,888,349.43	dormant since 1997
Advances to Contractors	181	1	73,197,766.64	73,197,766.64	73,197,766.64	dormant since 1997
Other Prepaid Expenses	185	4	19,577,362.70	19,577,362.70		No Information was submitted by Management
Land	201-01-99	1	(10,319,400.00)	(10,319,400.00)	(10,319,400.00)	Awaiting submission of the TCT by the Property Management Department
Buildings	215-01-13-99-01 OT&AD-01-00001	1	23,691,891.73	23,691,891.73		PMD to submit a copy of Physical Inventory Committee Report for buildings recommended for dropping in the books.
Office Equipment, Furniture and Fixtures	221/223	2	262,618,569.84	262,618,569.84		Part of the GAE being reconciled
Machineries and Equipment		5	773,727,886.88	773,727,886.88		Part of the GAE being reconciled
Transportation Equipment	241	1	315,672,180.24	328,338,176.84		Being reconciled; part were already adjusted

Account Title	Account Code	No. of sub-accounts	2012	2011	balance beginning of 2007	Status of Reconciliation
Construction in Progress	264	1	459,459,939.28	459,459,939.28	6,103,276,228.00	No Information was submitted by Management
Other Assets	290	9	374,815,218.44	374,971,228.54	395,680,638.59	dormant since 2003
Temp. Assets Accounts (A/R previously requested)	301-02-99	1	(519,000,421.84)	(519,000,421.84)		No Information was submitted by Management
TOTAL ASSETS		36	1,797,924,874.65	1,810,602,501.31		
LIABILITIES						
Accounts Payable	401-01-99	1	89,973,928.20	90,147,138.13	93,237,870.06	No Information was submitted by Management
Due to Officers and Employees	403	2	48,999,125.01	48,999,125.01	50,117,775.68	No Information was submitted by Management
Due to BIR	412	1	0.02	2,147,530.54		No Information was submitted by Management
Due to GSIS	413	15	1,692,034.41	1,694,034.41	71,310.13	No Information was submitted by Management
Due to PAG-IBIG	414	2	111,068.74	111,068.74		No Information was submitted by Management
Due to PHILHEALTH	415	1	29,275.00	29,275.00		No Information was submitted by Management
Due to other GOCCs	417	1	430,174.81	430,174.81		
Intra Agency Payable	423	1	523,932,729.19		****	BOT/Management Issue for resolution
Guaranty Deposits Payable	426	1	170,527,366.92	170,549,330.90		Reconciliation were made for MWSS to recover the guarantee deposits for inactive services. MWCI has already paid the amount of P6.6M, while the MWSI has yet to remit the initial billing of P10.00M.
Performance/Bidders/Bail Bonds Payable	427	6	1,424,447.39	1,428,947.39		No Information was submitted by Management
Other Payables	439	4	5,754,872.74	5,754,872.74	10,100,240.18	No Information was submitted by Management
Other Deferred Credits	455	4	3,008,962.25	3,008,962.25	1,552,378.60	No Information was submitted by Management
TOTAL LIABILITIES		39	845,883,984.68	324,300,459.92		
EQUITY						
Capital Stock	502-99	1	281,671.51	281,671.51		No Information was submitted by Management
TOTAL EQUITY		1	281,671.51	281,671.51		
Total Liabilities and Equity		40	846,165,656.15			
Total		76	2,644,090,530.80			

1.8 **We reiterated our previous year's recommendation that Management facilitate the immediate reconciliation of the various accounts cited above pursuant to the provisions of IAS 1 in order that their financial statements will be able to provide the financial users the accurate information about the Agency's financial position, financial performance and cash flows.**

2. **Other Receivables account consisting of Guarantee Deposits, Inventory Held in Trust and Interest/penalties totalling P490.75 million had been dormant for more than 14 years and the collectability of which was practically nil.**

2.1 Included in the other receivables accounts were collectibles from concessionaires and other suppliers amounting to P490.75 million which were dormant for more than 14 years, with the breakdown shown below.

Table A.2.1.2.1 Schedule of Other Receivable (In Million Pesos)			
<u>Account</u>	<u>MWCI</u>	<u>MWSI</u>	<u>TOTAL</u>
Guarantee Deposits	P 65.58	P 95.00	P 160.58
Inventory held-in-trust	43.75	158.48	202.23
Penalty on delayed remittance	13.18		13.18
Interest/penalty on unpaid borrowing cost	-	95.25	95.25
Mabuhay vinyl (liquid chlorine)	-	5.00	5.00
LMG (Chemphil)	7.73	4.63	12.36
AWSOP telemetry (77) installation of Telemetry System	0.78	0.78	1.56
La Vista	0.59	-	0.59
TOTAL	P 131.61	P 359.14	P 490.75

2.2 Our verification showed the following:

2.2.1 **Guarantee deposits of P160.58 million** pertained to deposits of customers for water service connections. In 1997, pursuant to the Concession Agreement, the maintenance and collection of the accounts were acquired by the MWCI and MWSI, hence the accounts were transferred to the books of the concessionaires. Part of those transferred were outstanding deposits as of June 1997 that should have been retained by MWSS. Pursuant to MWSS-RO Case No. 97-011-002 dated June 2, 1998, declaring the improper transfer of the questioned accounts, MWSS set up a receivable from the concessionaires based on the account balance appearing in previous year's financial statements.

Previous audit disclosed that Management set up the balance of the account without the supporting subsidiary ledgers and documents rendering the account balance doubtful of validity and accuracy. Management explained that some supporting documents were still available but have to

be sorted and organized to establish the accurate balance and of each customer. However, up to this date the account remained the same.

- 2.2.2 ***Inventory held-in-trust of P202.23 million*** represents costs of inventory turned over to the concessionaires upon commencement of the Concession Agreement. These were stocks of materials and supplies including pipes, water meters, fire hydrants, automotive spare parts and accessories and other materials. The Concession Agreement provided that upon expiration of the Concession, the concessionaires shall transfer to MWSS, the inventory with value equal to inventory amount available on the commencement date. Management explained that since there was no formal turnover of supplies and materials to the concessionaires, no final inventory reports were prepared. As a result, the correctness of the recorded other receivables account for the inventories transferred to the concessionaires cannot be ascertained.
- 2.2.3 ***The penalty on delayed remittance of P13.18 million*** came about in January 2001 when Manila Water Company had to resort to installment payments of the Concession Fee for the MWSS Budget, in violation of the Concession Agreement, Section 6.4(b), which provides that Concession Fees should be paid by the Concessionaire to MWSS on the first business day of January of each year.
- 2.2.4 ***Mabuhay Vinyl of P5 million*** was previously recorded as Inventory Held in Trust account. This pertained to liquid chlorine transferred to the concessionaire at the onset of privatization which the concessionaire used for treatment of water. The Finance Department thought it proper to bill the amount to the concessionaire but the Concessionaire replied that all inventory will be turned over to them and such inventory account shall be reverted to MWSS at the end of the Concession. The case has not been resolved to date.
- 2.2.5 ***LMG (Chemphil) of P12.36 million*** pertained to the cost of inventory of liquid alum sulfate/coagulants turned over to the Concessionaire in 1997 and recorded as Other Receivable – MWCI for P7.73 million and MWSI - P4.63 million. Similar to the Mabuhay Vinyl issue, the case has not been resolved to date.
- 2.2.6 ***AWSOP telemetry – P1.56 Million*** pertained to the costs of the 77 telemetry units turned over to the Concessionaires. The sharing percentage of which was contested by them.
- 2.3 ***We reiterated our previous years' audit recommendation that Management coordinate with its Concessionaires to undertake the verification and reconciliation of the dormant accounts amounting to P490.75 million within an established time frame.***
- 2.4 Management informed that verification and reconciliation of the dormant accounts were done; however, there are collections and write-off attempts which solution is beyond the control of the Management.