

3. **The sale of La Mesa Watershed Property by MWSS to its officers and employees was not supported with authority from the Office of the President allocating the subject MWSS Real Property, specifically for the housing of MWSS Officers and employees.**
 - 3.1 On November 25, 1999, the concept of the La Mesa Housing Project was approved by the MWSS Board of Trustees as embodied in Board Resolution No. 234-99. DENR-NCR granted Environmental Compliance Certificate No. NCR 99-11-160244-212/ 9906-125-QC-212) for the MWSS Employees Housing Project located at Barangay Greater Lagro, Novaliches, Quezon City for the development of the 33,796 square meters of land into a residential subdivision composed of housing units and amenities/facilities such as chapel, clubhouse, playground, cooperative store and parking area.
 - 3.2 MWSS thru Board Resolution 97-2002 dated March 21, 2002 approved and confirmed the utilization of the said property as the site of MWSS Housing Project for the present officials and employees of the MWSS Corporate Office.
 - 3.3 On October 25, 2002, thru Board Resolution No. 296-2002, MWSS allowed the sale of the said property allocated for the housing project to all beneficiaries at P500 per square meter with the MWSS-Corporate Office Multi-Purpose Cooperative (MCMC) handling the Housing Project.
 - 3.4 On June 29, 2004, for and in consideration of the amount of P13,462,725, MWSS and MCMC entered into a Deed of Absolute Sale for the transfer, assignment and conveyance unto MCMC a parcel of land consisting of 141 lots of various sizes with a total land area of approximately 26,925.45 square meters.
 - 3.5 The Manager, Property Management Department, informed that in the process of development, about six lots were abandoned due to its perilous location, about six lots were consolidated into three lots and about four lots were subdivided into 15 lots or a total of 143 lots.
 - 3.6 We were further informed that the MWSS La Mesa Housing has 143 lots/awardees out of which 120 lots have structures/houses and 23 lots are still vacant.
 - 3.7 The Annual Audit Report for CY 2007 contained an observation that MWSS sold a portion of its La Mesa Watershed Property to its employees, which was in violation of Section 2, Article XII of the 1987 Philippine Constitution and without Presidential approval; and that the transaction transpired without the benefit of appraisal by an independent appraiser. Management was then requested to submit the following documents for evaluation:
 - 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;

- e. Advertisement for invitation to pre-quality 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.
- 3.8 An Audit Observation Memorandum dated April 1, 2013 was issued to reiterate the submission of the above documentary requirements as contained in the CY 2007 Annual Audit Report. The said documents are necessary to properly evaluate the propriety of the sale of the La Mesa Watershed property by MWSS to its employees. The non-submission of the required 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 90 days from the date of receipt thereof.
- 3.9 The Manager, Property Management Department, in letters dated May 3, 2013 and May 31, 2013 submitted the following documents:
- a. Proclamation No. 1336 dated 25 July 2007;
 - b. Deed of Absolute Sale between MWSS and NWSA Employees Housing Project dated February 28, 2006;
 - c. Section 3 of RA 6234 as amended;
 - d. Proclamation No. 120 amending Proclamation No. 792 dated September 5, 1991;
 - e. Resolution No. 97-002 of MWSS Board of Trustees dated March 21, 2002;
 - f. Resolution No. 234-99 of MWSS Board of Trustees dated November 25, 1999;
 - g. Deed of Transfer and Assignment between MWSS and MWSS Corporate Office Multi-Purpose Cooperative (MCMC);
 - h. Sample of Individual Notice of Award dated May 7, 2003; and
 - i. Owner's copy of Declaration of Real Property No. 20-44688.
- 3.10 Management gave the following additional comments:
- a. Proclamation No. 1336 issued by then President Gloria Macapagal Arroyo on July 25, 2007 categorically established as La Mesa Watershed Reservation, the parcels of land situated in Quezon City, Caloocan City, in the Municipality of Rodriguez, Province of Rizal, subject to private rights, if there be any and more particularly describes as follows.

The phrase "subject to private rights, if there be any" logically and necessarily points to no other than the La Mesa Housing of MWSS which was already in existence prior to the proclamation in 2007. With the phrase, then President Arroyo recognized private rights in the MWSS La Mesa Housing, thus, approving and ratifying the same.
 - b. Copy of the Environmental Compliance Certificate granted by DENR NCR was submitted.

- c. The BAC evaluation for the choice of R II Builders as land developer was not submitted since the parcel of land is owned by MWSS Corporate Office Multi-Purpose Cooperative and it was the Cooperative which engaged the services of R II Builders as its land developer.
- 3.11 As our rejoinder, it is our view that although Proclamation No. 1336 allowed the parcels of land as La Mesa Watershed Reservation and subject to private rights, if there be any, there was no mention that it was specifically intended for MWSS officers and employees. Hence, there was no approval from the Office of the President allocating the subject MWSS Real Property specifically for the housing of MWSS Officers and employees.
- 3.12 ***We recommended the immediate submission of the approval from the Office of the President allocating the subject MWSS Real Property specifically for the housing of MWSS Officers and employees.***
4. **The 40% share in the net income from La Mesa Ecopark Operation (*La Mesa Resort Zone*) for CYs 2004 to 2009 in the amount of ₱8.33 million had not been remitted by the ABS-CBN Foundation Inc. (AFI). Moreover, the share of MWSS for CYs 2010 to 2012 could not be determined due to non-submission of the Annual Financial Report required under Section 11 of the MOA.**
- 4.1 The relocation of informal settler families (ISF) living inside the watershed paved the way for MWSS to execute a formal contract/agreement with a Non-Government Organization (NGO), ABS-CBN Foundation Inc. (AFI), thru a Memorandum of Understanding (MOU) to reforest and protect the La Mesa Watershed for a period of 15 years starting on November 23, 2001 when the contract was signed.
 - 4.2 On April 12, 2005 a Memorandum of Agreement (MOA) by and among the MWSS, Local Government of Quezon City (LGQC) and AFI was executed relative to the operation of the La Mesa Resort Zone or the La Mesa Ecopark.
 - 4.3 Cited in last year's Annual Audit Report was the non-compliance by the AFI with Section 11 of the Memorandum of Agreement where AFI is required to submit the Annual Financial Report to the La Mesa Executive Board from its initial operation ending June 30, 2005 and annually thereafter.
 - 4.4 Under Section 11 of the MOA, the profit sharing of the parties involved in the La Mesa Ecopark operations shall be as follows:

MWSS	40 % of net income
AFI	30 % of net income
Local Government of Quezon City	30 % of net income

It also requires that Financial Report shall be prepared and submitted by the AFI to the La Mesa Executive Board (LMEB) from its initial operation ending June 30, 2005 and the annual financial report thereafter and the income shall be distributed among the parties accordingly.

- 4.5 Audit showed that AFI had not submitted the Annual Financial Reports from CY 2010 to CY 2012, thus, the 40% share of MWSS in the net income could not be determined. On the other hand, the Annual Financial Report for the period CY 2004 to CY 2009 were already submitted but AFI has not remitted the corresponding 40% income share of MWSS amounting to P8,332,931.20 subject to income tax.
- 4.6 The other deficiencies noted in the provision of MOA and brought to the attention of Management in CY 2011 Annual Audit Report were not acted upon, as follows:
- a. The MOU and the MOA contain conflicting provision relative to the Environmental Trust Fund (ETF). Section 1 of the MOA provides for the creation at La Mesa Resort Zone – Executive Committee (LMRZ-EC) composed of two representatives each from MWSS, AFI, and LGQC. This Section provides that the said Committee shall take the stewardship of the Environmental Trust Fund (ETF) under the control of the MWSS Board of Trustees (BOT) and under the supervision of the La Mesa Executive Board (LMEB). However, under Section 1.a.v of Article IV of the MOU– Management and Operations Framework- the LMEB shall take stewardship and control of the ETF.
 - b. Section 1.2of the MOA provides also that the LMRZ-EC will be tasked to approve and supervise the implementation of the La Mesa Resort Framework Plan and all pertinent programs and plans relative to the operation of the La Mesa Resort Zone. However, no committee was formed since the inception of the contract.
 - c. Section 6 of MOA requires that all funds generated from the operation of the LMRZ should be opened in the name of the three contracting parties MWSS, AFI and LGQC, and any/all transactions or withdrawal involving the ETF shall be considered approved if signed and approved by at least two official representatives/signatories of either MWSS and AFI, or MWSS and LGQC, who shall be appointed by the respective parties. However, documents showed that all accounts were opened in the name of AFI only and not in the name of the three contracting parties and transactions/withdrawals were made without the consent of MWSS.
 - d. Section 22 of the MOA mentions four requisites for the Agreement to be effective. The MOA shall be (1) signed by the parties, (2) approved by proper authorities, (3) reviewed by the Office of the Government Corporate Council (OGCC) and (4) ratified by the LGQC Sanggunian. Requisites No. 2 and No. 4 had not been complied. There was no MWSS Resolution approving the MOA as per certification by the Board Secretariat of MWSS. Also, the contract was not ratified by the LGQC Sanggunian as confirmed by Mr. Francisco Mallillin to IAD Manager Bienvenido A. Sarmiento based on the report of Virgilio P. Matel, Officer-in-Charge of the Internal Audit Department during that time.
 - e. In managing and operating the La Mesa Ecopark, AFI deducted 15% from the gross revenue thereof as management fees. However, no supporting

document was presented to show approval by either the MWSS Board of Trustees, or La Mesa Executive Board, on the 15% management fee being charged by the AFI. Furthermore, with AFI charging another 15% management fee on gross revenue over and above the existing profit-sharing of 40:30:30, 40% as MWSS share, 30% each for AFI and LGQC, it would now appear that AFI has a greater share in the revenues and income derived from the operations of the La Mesa Resort Zone.

4.7 ***We recommended the following:***

- a. ***Require the AFI to immediately submit the Annual Financial Reports and remit to MWSS its corresponding share of income as required under Section 11 of the MOA;***
- b. ***Clearly designate the stewardship and control of the Environmental Trust Fund to either LMEB or the LMRZ-EC;***
- c. ***Create the LMRZ-EC that will formulate policies regarding the LMRZ aside from other functions and responsibilities stated in the MOA. Upon creation, members of said body should convene regularly to address and assess the operations and concern of the LMRZ/La Mesa Ecopark;***
- d. ***Comply with the provisions of Section 6 of the MOA in order to maintain sound internal controls by opening an account in the name of the three (3) contracting parties; and ensure that all transactions have been authorized with the consent of MWSS representative;***
- e. ***Require the post facto approval and ratification of the MOA to enable the Agreement to be fully effective, otherwise, the MOA could be considered null and void; and***
- f. ***Seek the approval of the 15% management fee being charged by the AFI from the MWSS Board in order to comply with Section 1.1 of the MOA.***

4.8 MWSS Management informed that on February 15, 2013, a team was created to audit the financial records of the ABS-CBN Foundation Inc. (AFI). Audit began on April 16, 2013 focussing on the AFI's record of revenue and expenses. The process of assessing the data available is on-going, after which a comprehensive report will be submitted to the Management and subsequently to COA as soon as ready. All other issues are being studied for the Board disposition and approval.

5. **Hiring of consultants was done without public bidding in violation of Section 10 of the IRR of RA 9184. Also, the number of consultants employed exceeded the required number of consultants.**

5.1 In CY 2011 Annual Audit Report, we observed that there were deficiencies in the hiring of consultants in MWSS which included the following:

- a. Consultants were hired despite moratorium on the hiring of new casuals/contractual, including personnel on consultancy/emergency/job order basis in all government agencies whose Rationalization Plan has not been approved as provided under Section 7 of Executive Order No. 366 and Section 13 of its Implementing Rules and Regulations.
- b. The procurement of the consultancy services was done without public bidding as required under RA 9184.
- c. There were available MWSS personnel who can perform the designated duties and responsibilities of the hired consultants, negating the necessity of hiring.

We then recommended that Management strictly adhere to the rules and regulations on the hiring of consultants. Management agreed that as a general rule, the procurement of services shall be done through competitive bidding except as provided in Rule XVI of the IRR of RA No. 9184.. Management resorted to other means of procuring consultancy services, rather than public bidding, to address its immediate concerns and urgent needs in the different areas of operations.

Management had justified the hiring of the consultants by citing Section 53.7 of the IRR of RA No. 9184 which provides:

“In the case of individual consultants hired to do work (I) highly technical or propriety; (II) primarily confidential or policy-determining, where the trust and confidence are the primary consideration for the hiring of the consultant: Provided, however, that the term of the individual consultants shall, at the most, be on six (6) month basis, renewal at the option of the appointing head of the Procuring entity, but in no case shall exceed the term of the latter.”

- 5.2 In CY 2012, MWSS hired additional 19 consultants consisting of seven Watershed Consultants and 12 consultants hired for Corporate transactions. Thus, the total consultants as of December 31, 2012 reached 28 consisting of 19 hired in 2012 and 9 hired since 2011.
- 5.3 The same audit observations in CY 2011 were noted in the payments of consultancy services in CY 2012, particularly on the hiring of Consultants for Watershed and Corporate transactions which amounted to P7,227,993 or 65% of total consultancy expenditures of P11,038,468.86.
- 5.4 In addition, we noted the following:
 - a. The 28 consultants hired was 22% of the total workforce of MWSS-Corporate Office for CY 2012 numbering 127.
 - b. Review of contracts revealed consultancy fees of P25,000, P30,000, P35,000, P45,000 and P50,000 were paid to each consultant on a monthly

basis. These were the consultants for Strategic Management, RATPLAN, Communications, Information System Strategic Plan, Financial Management and Watershed.

- c. Evaluation of the purposes for which these consultants were employed indicated that they exceeded the number of consultants needed for some of the services as shown in the table below:

**Table A.2.1.5.
Audit Observations on Consultancy Services**

No.	<i>Type of Consultant</i>	<i>Scope of Work</i>	<i>Audit Observations</i>						
2	<p><i>Financial Management Consultants</i></p> <p>1. Pabiton, Jose Marlon 2. Mendoza, Mabel D.</p>	<ul style="list-style-type: none"> • Integrated design of a new organization for the Finance Department • Small automation template for walk-in collections, budget monitoring activity and billings. • Review of 2012 financial projects against actual financial performance. • Assist the Task Force created to undertake inventory reconciliation of third party prepayments, construction-in-progress, real property and general administrative equipment in the approach methodology and monitoring implementation. • Reconciliation of accounts 	<ul style="list-style-type: none"> • <i>This work may be done by the RAT Team</i> • <i>This may be performed by the Information System Consultant or regular staff of the Finance Department.</i> • <i>This is as a function of the Finance Department that may be done by its regular staff.</i> • <i>This may also be performed by the regular staff of the Finance Department.</i> • <i>Our audit of 2012 transactions disclosed that there are balances of group accounts that are still unreconciled/unverified as of December 31, 2012, as follows:</i> <table style="margin-left: 40px; border: none;"> <tr> <td style="padding-right: 20px;">Assets</td> <td style="text-align: right;">₱1,797,924,874.65</td> </tr> <tr> <td>Liabilities</td> <td style="text-align: right;">845,883,984.64</td> </tr> <tr> <td>Equity</td> <td style="text-align: right;">281,671.51</td> </tr> </table>	Assets	₱1,797,924,874.65	Liabilities	845,883,984.64	Equity	281,671.51
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1	<p><i>Consultants for the Reconciliation Task Force relative to the guaranty deposits of inactive customers prior to privatization.</i></p> <p>Bravo, Nida E.</p>	<p>To substantiate MWSS' total claims against MWSI and MWCI with reliable, valid and authentic documents relative to the guaranty deposits of inactive customers prior to privatization.</p>	<p>Considering that these consultants had been hired since CY 2011, the Guaranty Deposit account should have been reconciled. Our audit revealed that the unreconciled balance of the account as of December 31, 2012 was P170,527,366.92.</p>						

No.	Type of Consultant	Scope of Work	Audit Observations
7	<p><i>Rationalization Plan Team/ CPCS Consultant:</i></p> <ol style="list-style-type: none"> 1. Bruan, Sandra Katrina 2. Danipog, Lorenzo S. 3. Ericta, Rufina Teresa 4. Javier, Hazel Angela 5. Makayan, Elizabeth 6. Peralta, Ma. Victoria 7. Togonon, Sandra 	<p>Review all computations on separation packages for affected employees relative to the proposed new organizational structure; completion of new job descriptions; review and redesign of new compensation and position classification system; analysis of internal and external compensation data leading to the formulation of a new compensation system.</p>	<p>The seven consultants hired for the RATPLAN may no longer be necessary since according to the Memorandum of the Deputy Administrator for Administration, Finance and Support Services dated June 28, 2012 in reply to the same audit observation in CY 2011, MWSS has long abandoned the RATPLAN and shifted to Reorganization under RA 6656 owing to the complexity of the RATPLAN.</p> <p>The number of consultants hired for this job was apparently over and above the number of MWSS personnel to be evaluated. There were seven consultants hired for the RATPLAN/CPCS when there are only 127 employees in MWSS-CO.</p>
2	<p><i>Strategic Management Consultant</i></p> <ol style="list-style-type: none"> 1. Benitez, Teresa 2. Da Silva, Pamela Ann P. 	<p>Engaged in water roadmap development & strategic Mgt. Process/ Rate Rebasing</p>	<p>These duties and responsibilities duplicate the functions of the MWSS personnel assigned at Corplan Department and Operations Department, among others.</p>
8	<p><i>Watershed Foresters</i></p> <p>Roces, Marian P.</p> <p>Flores, Glenn Paul</p> <p>Bagonghasa, Amisol L</p> <p>Bolante, Olivia Rose</p> <p>Ruiz, Dennis V</p> <p>Floendo, Ricky</p> <p>Dotimas, Noel Christian</p> <p>Castillo, Jhonber R.</p>	<p>Watershed Management Consultant for Angat, Umiray, Ipo, La Mesa & Marikina Watersheds</p> <p>Project Manager Watershed</p> <p>Assistant Project Manager</p> <p>Consultant/Forester Plantation Supervisor - Watershed Forester</p>	<p>Based on the review of Contract and Accomplishment Reports of the hired consultants, their work could not be considered highly technical, proprietary, primarily confidential or policy determining where trust and confidence are the primary consideration for their hiring.</p>

No.	Type of Consultant	Scope of Work	Audit Observations
1	<i>Legal Support Services</i> Andin, Diane T.	Legal Support Services in streamlining procedures & processes	Based on the review of Contract and Accomplishment Reports of the hired consultants, their work could not be considered highly technical, proprietary, primarily confidential or policy determining where trust and confidence are the primary consideration for their hiring.
2	<i>IT Consultant</i> 1. Dalao, Igino C. 2. Tan, Katrina	Consultant for MWSS website needs, suggest website needs, website applications Consultant for Information Technology, design, develop and program Company website etc.	
2	<i>Information System Strategic Plan (ISSP) Consultant</i> 1. Lozano, Caroline 2. Lozano, Randall	Information System Strategic Plan (ISSP)	
2	<i>Communications Consultant</i> 1. DelaLlana, Leonisa 2. Mendoza Ivy	Communications Consultant	
1	<i>Rate Rebasing Consultant</i> Millan, Ma. Christina	Rate Rebasing	

5.5 Management explained that they undertook the following measures pursuant to COA recommendation in 2011:

- a. They secured approval from the MWSS Human Resources Committee headed by a member of the Board of Trustees, MWSS Board of Trustees, and finally, the Governance Commission for GOCCs (GCG) prior to the hiring of the consultants.
- b. In all the GCG and DBM approvals secured for the hiring of consultants, both agencies recognized that the MWSS can hire “individual consultants hired to do work (I) highly technical or proprietary; or (II) primarily confidential or policy-determining, where the trust and confidence are the primary consideration for the hiring of the consultant” under Section 53.7 of RA 9184 IRR which also sets the terms of engagement.
- c. The AOM suggested that all throughout the year, a fixed number (28) of consultants were present in MWSS. Not all consultancy services were continued all throughout the year because by December 31, 2012, there were just 13 consultants approved for hiring by the GCG.

- d. The degree of difficulty of defining whether the task is primarily confidential, highly technical or policy-determining is best enunciated in the case: Civil Service Commission and Philippine Amusement and Gaming Corporation versus Rafael M. Salas, (G.R. No. 123708 June 19, 1997), citing the case of Piñero, et.al. versus Hechanova, et.al.
- e. This issue was also extensively discussed during the deliberation in the plenary session of the 1986 Constitutional Commission on the Civil Service provisions.

5.6 Management submitted the following justifications for the hiring of consultants in CY 2012.

5.6.1 On the observation that the 28 consultants hired were 22% of the total workforce on MWSS Corporate Office for CY 2012 which is 127 employees - Review of contracts revealed consultancy fees of P25000, P30000, P35000, P45000 and P50000 were paid to each consultant on a monthly basis. These are the consultants for Strategic Management, RATPLAN, Communications, Information System Strategic Plan, Financial Management and Watershed. A table explaining the need for the various consultants employed by MWSS is below.

Table A.2.1.5.5.1 Justification for the Concerned Consultants	
<i>Consultant</i>	<i>Explanation</i>
<p><i>Watershed Consultants (7) ended Aug 2012)</i></p> <p>1. Project Manager 2. Asst Project Manager 3. Foresters</p>	<p>Board Resolution 2012-020 dated 23 February 2013 approved the engagement of seven technical consultants to provide technical assistance to and work validation services on the maintenance and protection activities of 162 Ipo Watershed workers. This became necessary because of the sudden withdrawal, in January 2012, of Bantay Kalikasan (BK) from its MOA with MWSS on Ipo watershed management. This created a vacuum in the project that threatened to lay waste the P36 million investments and the 560-hectares reforested and rehabilitated areas in Ipo. No regular MWSS employee has the needed competencies to provide the needed expertise for this purpose.</p> <p>The services of these 7-consultants were not renewed or extended after the expiration of the term granted by the Board.</p>
<p><i>Strategic Management</i></p>	<p>The MWSS embarked for the first time on developing its Water Security Legacy plan – a comprehensive and integrative plan for MWSS that addresses all identified long term needs related to the provision of water and sewerage in Metro Manila and outskirts. The magnitude of the task required that it be carried out in phases given the fundamental need to resolve long standing issues and unclear policies, and the resulting urgency from these discussions to address infrastructure, networking, rate rebasing impacts and organizational gaps all at the same time.</p> <p>Third party strategic perspective was required to provide a devil's advocate view on team issues as well as a third eye to ensure integration of objectives and synergy across in the pursuit of individual projects. The consultant's role was also to ensure that cross legacy strategic</p>

<i>Consultant</i>	<i>Explanation</i>
	<p>implications are addressed as with pushing communications messages needed for various aspects of the legacy (to be used by the Communications and PR consultants). Also, as with most long term plans, within each of the 7 legacies of the plan, the organization needed someone to ensure progress on various programs by the different teams tasked to carry these out.</p> <p>Lastly, the MWSS Board of Trustees also needed a consultant who can give an un-biased advice on the strategic implications of the Water Security Legacy Program (WSLP) on the rate-rebasing process.</p> <p>The sheer number of infrastructure projects, their long gestation and numerous steps, along with the issues being tackled, the Rate Rebasing process, the need to address and facilitate the identification of communication needs, the need to ensure that project consultants are in sync with the MWSS Legacy Plan forced management to hire a Strategic Consultant to assist in this massive and challenging task which is envisioned to continue until most projects of the legacy are thoroughly prepared up until justification and approval.</p>
<p><i>RATPLAN Consultants</i></p>	<p>Initially hired for a RAT PLAN initiative, the focus of the consultants shifted to Reorganization per Board Resolution 2012-145 dated 25 October 2012 (Annex D). A structured review was adopted that ensured alignment to the needs of WSLP, organizational structure, job descriptions, qualification standards, compensation position and classification system, competency assessment and development and others.</p> <ol style="list-style-type: none"> 1. The skills to propose a new Compensation Position and Classification System (which was also presented to GCG), market analysis and conduct of competency assessment building are not readily available in MWSS. 2. With the new WSLP promoted in 2011, new qualification standards and expanded job descriptions were created. This required time to conduct interviews, reports preparation, meetings internally and externally. The existing MWSS personnel cannot support this initiative owing to the shortage in manpower. More importantly, the review is in-depth (highly technical). 3. Two consultants from DBM and CSC were hired to provide guidance in processes and requirements involving the RATPLAN and/or Reorganization. At this time, the recommendations were determined to be highly confidential and policy-determining in nature. 4. While it is true that the seven consultants hired set-out to do RAT PLAN (now a Reorganization), each had required levels of expertise that are non-existent in the existing personnel. In addition, the time required for the effort is not available with existing personnel. It is also imperative that a highly-confidential and policy-determining consultant who the appointing authority had complete trust and faith in is hired. 5. The approach in the determination of the need for a Reorganization was very structured and holistic. The newly crafted Water Security Legacy Program (WSLP) was the basis for the organization design. The approach required looking at the competencies required in seven

<i>Consultant</i>	<i>Explanation</i>
	<p>focus areas namely 1) Water Infrastructure, Protection and Management, 2) Water Distribution Efficiency, 3) Sewerage and Sanitation Compliance, 4) Tariff Rationalization and Business Plan Compliance, 5) Partnership Building and Development, 6) Communication and Knowledge Management and, 7) Organizational Excellence. Given this technical approach in the development of a proposed Reorganization, the time required and/or approach and techniques required are, again, not readily available in MWSS. These are:</p> <p>5.1 Designing a Compensation Position and Classification System (CPCS) for MWSS employees and Board of Trustees. Proprietary information on salary levels of business communities is required. In addition, conducting a systematic study and assessment requires years of experience which the HR Department is not trained on. People Plan Development needs a shift towards competency development that is a new thrust of the Civil Service Commission. Competency development workshops were conducted using a novel approach that the HR Department is not trained on.</p> <p>5.2 Development of the proposed Organization Structure required dedicated hours to conduct 1) interviews with employees at all levels, 2) interview with the concessionaires, 3) discussions with the MWSS Board of Trustees, GCG, DBM, COA Central. Owing to the shortage of resources in MWSS, the time required is not readily available.</p> <p>5.3 The development of proposed Qualification Standards and Job Descriptions as a result of the Water Security Legacy Program requirements was completed during the timeframe after rigorous reviews with the CSC and DBM. A thorough review process requires time that is not available with the present staff.</p> <p>5.4 By and large, the job of consultants should be viewed in its holistic concept rather than on a piecemeal basis with the thought in mind that the essence or primacy consideration of hiring of these consultants being the trust and confidence reposed on them by the management.</p>
<i>Financial Management Consultants</i>	<p>1. The observations, unfortunately, failed to capture the true scope and tasks given to the two finance consultants. The following describe the highly technical, highly confidential, and policy determining tasks in the area of financial operations and business process streamlining:</p> <p>a. <i>Job Analysis (JA) and JA Method.</i></p> <p>JA is a necessary tool for any business streamlining process. In general, the JA aims to document the current job tasks per employee. Then, the JA method was customized for the need of MWSS Finance in view of its volume, historical data, frequency of task performance, controls, inputs, outputs and different skill sets required to do Finance tasks.</p>

<i>Consultant</i>	<i>Explanation</i>
	<p>Therefore, JA method that was employed for MWSS Finance captured the multi-dimensional aspects of finance task. The resulting outputs can be further analyzed to determine the potential areas for change.</p> <p>The JA method included the participation of Finance Task Force to facilitate information gathering and knowledge transfer.</p> <p>This was presented for approval in 2012.</p> <p><i>b. Full Time Equivalent (FTE) method.</i></p> <p>The FTE method is a necessary tool in relation to JA and JA method. This method provided the current manpower utilization of each employee in Finance.</p> <p>This FTE method can be used to determine the FTE count per employee for future job revisions.</p> <p>This was presented for approval in 2012.</p> <p><i>c. Organizational review (Org) and Job Description (JD)</i></p> <p>Based on the results of JA, proposal for the new organization and corresponding JDs for Finance employees were prepared and presented. This was further discussed with Organization Review consultant for overall alignment with the Reorganization review.</p> <p>This was completed for Finance and presented to CSC for approval in 2012.</p> <p><i>d. Map of Finance contribution (MAP)</i></p> <p>Map is another tool to show the main process map for Finance in order to show interrelation of tasks, inputs, outputs, process, and internal and external customers. This will be used to identify, measure and review the contribution of Finance.</p> <p>The MAP was drawn based on the completed JA and Org</p> <p>The initial MAP was completed but for customization based on the initial requirements or key performance indicators (KPI) to be set by the DA and/or the Office of the Administrator (OA).</p> <p><i>e. Key performance indicators (KPI)</i></p> <p>Based on the initial results of JA, Org and MAP, the standard KPIs were drawn for Finance as one unit with corresponding proposal for KPIs per employee. This will be revised along with the MAP based on the new KPIs set by the DA and/or the OA.</p> <p><i>f. Approach and Presentation style</i></p> <p>Provided assistance in determining the proper approach for management information analysis and presentation. After the</p>

Consultant	Explanation
	<p>initial transfer of knowledge, MWSS Finance has been preparing the presentation materials.</p> <p>g. <i>The expectations between the Finance and Information System consultants are different.</i></p> <p>The ISSP consultants authorized to be hired by GCG in its Memorandum Order 2012-40 were tasked to complete an overall Information System Strategic Plan to be submitted to the National Computer Center. None of the regular staff of the Finance Dept has systems and programming skills to install such system.</p> <p>2. The inventory reconciliation issue has been a recurring unresolved issue cited in the past audit observations. The two consultants recommended systems and process improvements to aid the task force. The actual resolution belongs to the Finance Department.</p> <p>3. As recommended by COA a Task Force (<i>Task Force Book Clean up</i>) was created in 1 November 2011 thru Office Order 2012-001 to address reconciliation of accounts particularly Construction in Progress, Prepayments, Property Plant and Equipment. The team is composed of regular staff of the Finance, Engineering, and Property Management departments.</p> <p>4. Per COA Annual Audit Report for CY 2011, accuracy of the inventory report generated by Task force was not validated in the absence of reconciliation of PMD and finance records. Due to the magnitude of the tasks involved much of the work concentrated on the reconciliation of land and land rights between Property and Finance Departments' data.</p> <p>5. The inventory reconciliation was done by the organic staff but the methodology and system on how the tasks were put together was through the assistance of the financial consultants. The consultants together with the organic staff was able to:</p> <ul style="list-style-type: none"> • Correct the actual the number of lots from 772 to 770 lots; • Correct of total lot areas under joint venture; • Identify 91 lots included in the physical inventory report but no record with the Finance Department/ identify 74 lots included in Finance records but not included in the Physical Inventory Committee report; • Put annotation on the 60 lots allocated to concessionaires but classified as not-in-service lots (37 lots to MWSI and 23 lots to MWC); and • Identify and recommend lots for dropping. <p>6. As mentioned above, the support of the two Finance consultants was to provide a systematic process for the use of Finance personnel in resolving this recurring audit observation finding. The Finance organic personnel own the resolution of this issue.</p>

<i>Consultant</i>	<i>Explanation</i>												
<p><i>Consultants for the Reconciliation Task Force relative to the guaranty deposits of inactive customers prior to privatization.</i></p>	<p>1. The two consultants were not hired to reconcile the balance of the account as of 31 December 2012. This is primarily the duty of the existing Finance personnel. However, they were able to:</p> <ul style="list-style-type: none"> • Migrate inactive accounts from MWSS (based on Feb 1999 Master Customer File (MCF) that have not billed from August 1997 to March 2001; • Consolidate the documents needed in the recovery of GD withheld by the Concessionaires; • Analyzed data files needed in the reconciliation of GD amount between MWSS, MWSI and MWCI; • Evaluated and reviewed data in the active files of MWSI and MWSS as basis of comparison of inactive accounts subject for recovery; • Installed software and operating system required in the generation of programs created for GD recovery; • Developed, tested and finalized programs used in qualifying and matching data records from MWSI and MWCI with MWSS' data records; • Extracted data from the active files of MWSI and MWC to determine customers with no GD that is outside their area and services that are inactive prior to privatization; and • Summarized inactive accounts by meter status code and assumed GD. <p>2. In addition, what was not done in the past 15 years was that they were able to establish the amount of guaranty deposits to be refunded by the Concessionaires as seen in Table A.2.1.5.6.6</p> <div style="border: 1px solid black; background-color: #fce4d6; padding: 5px; text-align: center;"> <p>Table A.2.1.5.6.6 - Guaranty Deposits Due from Customer and Status To date as Determined by the Consultants</p> </div> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;"><i>Concessionaire</i></th> <th style="text-align: center;"><i>Guaranty Deposit Due</i></th> <th style="text-align: center;"><i>Status (as of 29 May 2013)</i></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">MWCI</td> <td style="text-align: center;">6,626,986.65</td> <td>MWCI paid P6.6 Million without MWSS signing a "Quit Claim"</td> </tr> <tr> <td style="text-align: center;">MWSI</td> <td style="text-align: center;">11,808,241.40</td> <td>MWSI offered to pay P10 Million on the condition that MWSS will sign a Quit Claim. MWSS did not agree to MWSI's offered payment because the amount is short of the established amount.</td> </tr> <tr> <td style="text-align: center;">Total due from Concessionaires</td> <td style="text-align: center;">18,435,228.05</td> <td></td> </tr> </tbody> </table> <p>3. Based on the foregoing, the tasks of the Consultants to help MWSS in its reconciliation activity and facilitate the refund to MWSS of Guaranty Deposits were significantly achieved. Collection of this amount was never done since privatization.</p>	<i>Concessionaire</i>	<i>Guaranty Deposit Due</i>	<i>Status (as of 29 May 2013)</i>	MWCI	6,626,986.65	MWCI paid P6.6 Million without MWSS signing a "Quit Claim"	MWSI	11,808,241.40	MWSI offered to pay P10 Million on the condition that MWSS will sign a Quit Claim. MWSS did not agree to MWSI's offered payment because the amount is short of the established amount.	Total due from Concessionaires	18,435,228.05	
<i>Concessionaire</i>	<i>Guaranty Deposit Due</i>	<i>Status (as of 29 May 2013)</i>											
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MWSI	11,808,241.40	MWSI offered to pay P10 Million on the condition that MWSS will sign a Quit Claim. MWSS did not agree to MWSI's offered payment because the amount is short of the established amount.											
Total due from Concessionaires	18,435,228.05												

<i>Consultant</i>	<i>Explanation</i>
<i>Communications Consultant</i>	A deliberate effort was initiated to improve the overall image of MWSS beginning with a drive for a more professional image-building initiative. This included (a) Corporate Documentation (b) Corporate Communication (c) Knowledge Management, and (d) Organization Excellence; and(e) Preparation of frameworks, models, and plans for the implementation of above-mentioned initiatives. There is definitely no existing capability within the organization now.
<i>Information System Strategic Plan</i>	Before establishing an Information System in MWSS, the NCC needs to approve an Information System Strategic Plan (ISSP). M.O. 237, Sec 1, states "All govt agencies ... with project Information Technology resource requirements are required to submit their ISSP to the DBM for approval, upon the recommendation of the NCC to serve as the basis for rationalizing the allocation of government funds for this purpose". Due to non-existent expertise of this nature in MWSS to craft the ISSP, the need for this consultant is justified.

- 5.7 Management assured that they will continue to find ways and means to be in step with COA's observations and recommendations in the exercise of its discretion in the hiring of individual primarily confidential and policy determining consultants based on trust and confidence as per Sec. 53.7 of R.A. 9184 IRR.
- 5.8 As our rejoinder, we maintain our observations as contained in Table A.2.1.5.4. The Governance Commission for GOCCs (GCG) has indeed approved the request of MWSS for the hiring of the 13 Consultants but subject to the Conditions on its approval as shown below:

**Table A.2.1.5.8
Governance Commission for GOCCs' approval and conditions on the hiring of MWSS Consultants**

<i>Consultant</i>	<i>GCG Authority</i>	<i>Conditions</i>
1. Principal Consultant	Letter dated October 29, 2012 authorizing MWSS to <u>prospectively</u> hire four consultants as embodied in GCG Memorandum Order No. 2012-20 of even date.	Individual Rate of P50,000/month on a six month basis renewable at the option of the CEO of MWSS.
2. Consultant for Civil Society, Local Government & Community Affairs		The provisions of RA 9184 and its Revised IRR are strictly complied with;
3. Consultant on Forest Ecosystems		Funds for the purpose shall be taken from the Corporate
		Fund included in the Corporate Operating Budget as approved by the Board of Trustees
4. Consultant on Communication Strategy & Editorial Content		Pertinent civil services, budgetary, accounting, auditing and other applicable laws, rules and regulations shall be complied with.

<i>Consultant</i>	<i>GCG Authority</i>	<i>Conditions</i>
5. Strategic Planning Expert	Letter dated November 29, 2012 authorizing MWSS to <u>prospectively</u> hire nine consultants as embodied in GCG Memorandum Order No. 2012-38 of even date (underscoring ours)	<u>To be procured after the issuance of the GCG Memorandum Order 2012-38;</u> (underscoring ours)
6. Finance Specialist with Rate Rebasing Experience		Individual Rate of P50,000/month for a duration of three months.
7. Organization Plan Review, Formulation and Implementation (Specialist)		The provisions of RA 9184 and its Revised IRR are strictly complied with;
8. People Plan Development (Specialist)		Funds for the purpose shall be taken from the Corporate Fund included in the Corporate Operating Budget as approved by the Board of Trustees
9. Compensation Position & Classification System (CPCS) (Specialist)		Pertinent civil services, budgetary, accounting, auditing and other applicable laws, rules and regulations shall be complied with.
10. Communication Specialist		
11. Public Relations Specialist		
12. Information Technology Assessment Specialist		
13. Information Systems Strategic Plan Specialist		

5.9 The GCG also informed in a letter dated October 29, 2012 that the request of the MWSS for the *post facto* approval/ ratification of the hiring of Ms. Marian P. Roces as Principal Consultant for the period of January to May 2012, was under process and was the subject of careful review and evaluation by the Commission.

5.10 It is our view that the Consultants were individually hired to provide consulting services to address definite and specific project/program requirements of MWSS Management to implement reforms in the following areas of concerns:

- a. Provisions for long term directions and a clear roadmap of program,
- b. Need for an Information Technology System,
- c. Organization Development, and

d. Clarification of key policies related to delivering essential infrastructures.

- 5.11 Reforms along these areas of concern require something of a comprehensive study, investigation and consolidation of data and information that would involve the entire Management organization to identify, develop and implement viable projects/programs which could institute reforms as could be envisioned by Management. Mostly, projects/programs of these natures are not confidential or policy determining since the preparation of these projects/programs for a viable implementation should be done through coordinative efforts of Management and group/s of Consultants normally from prequalified Consulting Firms hired by Management through competitive mode of procurement. The members of the Consultant Team are normally hired for a specific period working within the contract period to maximize their output.
- 5.12 The reforms being envisioned by Management require transparency, accountability, equity, efficiency and economy in its implementation. They are the general policy enunciated by government for all of its transactions as declared in Section 2- Declaration of Policy, of RA 9184-IRR or Government Procurement Reform Act.
- 5.13 In hiring of the Consultants through Negotiated Contract, the MWSS Management must have first classified the Consultant's work as (1) Highly Technical or Proprietary or (2) primarily confidential or policy determining, and that MWSS appointing head had, in the process of hiring, the trust and confidence to the appointee as the primary consideration for their hiring. This is in accordance with the provisions of Section 53.7 of RA 9184-IRR.
- 5.14 Based on the review of the Contracts and Accomplishment Reports of the hired consultants, and the objectives of Management for their employment as indicated in Table A.2.1.5.5.1 - Justification for the Concerned Consultants, their work could not be classified as highly technical neither proprietary in nature. The Consultants work are also not "primarily confidential or policy determining" although definitely by the mere fact of their appointment to their respective positions, the appointing head have complete trust and confidence of the appointees.
- 5.15 The general concept of Management in hiring of the Consultants could be viewed from the same memorandum of the Administrator, which is quoted as follows:
- "By and large, the job of consultants should be viewed in its holistic concept rather than on a piecemeal basis with the thought in mind that the essence or primacy consideration of hiring of these consultants being the trust and confidence reposed on them by the management."*
- 5.16 With this statement, Management had clearly equated that the nature of work as being confidential or policy determining is primarily rested on the trust and confidence of the appointing head. Management is missing a point that before they can make an appointment, the nature of work has to be defined as being primarily confidential or policy determining after which the determination of trust and confidence of the appointing head comes secondarily during the hiring process. It should be procedurally clear that the decision to hire Consultant following the

exceptions to the competitive procurement process, originates first from the need for the services; then the determination that the “work” are (1) Highly Technical or Proprietary or (2) primarily confidential or policy determining, and lastly the appointing head, in the process of hiring, must have his trust and confidence of the appointees.

- 5.17 Section 53.7 of RA 9184-IRR refers to the nature of “work” as the subject or ground for the conduct of a negotiated procurement of Consultants. It is our view that it is the nature of the work of the Consultants which makes a position primarily confidential and not on the determination of the appointing head of the procuring entity.
- 5.18 ***We recommend that all contracts for hiring of consultants services entered into by Management which are not in accordance with the conditions imposed by GCG and DBM be terminated immediately. The remaining works being contemplated by Management in the hiring of the current Consultants cannot be compromised against the legal issues attendant to their hiring. As regards the legal and related issues consequent to the hiring of current consultants, they shall be left to the final decision of the Office of the Ombudsman which is presently conducting investigation on the matter.***
- 5.19 ***We also recommend that Management strictly adhere to the prevailing rules and regulations on the hiring of consultants under RA 9184 and its Revised IRR and with the other conditions enumerated in the GCG Memorandum Order Nos. 2012-20 and 2012-38 dated October 29, 2012 and November 29, 2012 respectively.***
6. **The existence and accuracy of the year-end balance of Cash-in-Bank in the amount of P24.49 million could not be ascertained due to unreconciled difference of P4.14 million between the balance per books and balance per bank. Some reconciling items amounting to P4.12 million have been existing for over a year to 12 years.**
- 6.1 Bank Reconciliation Statement is a report which compares book balance as per MWSS accounting records with the balance in the bank statement. Its primary purpose is to detect any discrepancies between the accounting records of MWSS and the bank besides those due to normal timing difference. Such discrepancies may be due to an error on the part of the bank or MWSS books of accounts.
- 6.2 In CY 2011 Annual Audit Report, we recommended that Management reconcile its various cash accounts with its depository banks to arrive at the correct year-end balances, however, for CY 2012, seven banks accounts were not reconciled with MWSS’ books, arriving at a difference of P4,136,646.74, with breakdown in the table below. It should be noted that the negative bank balances was due to the delay by the bank in crediting the fund transfer from MWSS Savings Combo accounts.

Table A.2.1.6.2
Comparison of Cash in bank book balance vs. Bank statement
As of December 31, 2012

BANK ACCOUNT	PER BOOKS	PER BANK	DIFFERENCE
PNB MWSS Branch			
Corporate Office - Savings Account**	14,017,771.45	13,919,771.80	97,999.65
Corporate Office - Current Account**	(560,927.18)	(691,252.06)	130,324.88
PNB MWSS Branch - Main Fund Current**	(451,685.86)	(550,230.35)	98,544.49
PNB MWSS Branch - Main Fund Savings**	1,421,996.89	1,383,072.07	38,924.82
PNB-MWSS Branch -MPLP	2,639,118.88	2,180,379.00	458,739.88
DBP Makati Branch	6,869,180.35	3,559,645.35	3,309,535.00
LBP- UP Diliman Branch	552,116.55	549,538.53	2,578.02
TOTAL	24,487,571.08	20,350,924.34	4,136,646.74

**Combo accounts

6.3 The details of reconciling items are shown as follows:

Table A.2.1.6.3
Reconciling Items

Particulars	Amount
Unrecorded Cash and Check Deposits in CYs	
2000	56,991.44
2003	743,652.95
Total	<u>800,644.39</u>
Unrecorded Encashed Checks in CYs	
2010	20,361.69
2012	94,963.19
Total	<u>(115,324.88)</u>
Unrecorded Bank Charges in CYs 2011 and 2012	<u>(93,200.00)</u>
Interest Income (for the quarter ending 12/31/12 net of tax)	<u>421.98</u>
Debit Memos from CY 2000-2012	
2000	3,100,758.23
2001	10,448.66
2003	824.13
2004	300.00
2005	1,362.50
2007	15,000.00
2009	800,000.00
2012	61,325.50
Total	<u>(3,990,019.02)</u>
Credit Memos in CYs 2009, 2011 and 2012	
2009	10,000.00
2011	197,306.88
2012	143,030.67
Total	<u>350,337.55</u>

Particulars	Amount
Other Reconciling Items:	
• Check No. 9981 dated 11/19/03 twice debited by the bank in 11/28/03 & 12/29/03	(15,000.00)
• Already encashed Check No. 171017 dated 2/24/03 same appeared on bank statement dated 3/13/03	(8,344.49)
• CY 2007 COLA for reversal/closing	(37,300.69)
• Deposits recorded in CY 2012 Account 244-529203-9 but credited to Account 244-850079-1	341,260.12
• Remaining overpayment of TC No. 2188 and 2186 due to double debit by the bank in 2003	(6,069.96)
• Overpayment of Treasury Control No.'s	
2007 4797	7,500.00
2007 4855	13,068.75
2011 7829	356.00
2012 8317	3,000.00
Total	<u>(23,924.75)</u>
• Understated recording of disbursement for 2012	(756.87)
• Deposit recorded in CY 2012 Account 244-529203-9 but credited to Account 244-850079-1	(341,260.12)
• Reconciling amount from previous bank account (prior to privatization)	(998,100.00)
Total of Other Reconciling Items	<u>(1,089,506.76)</u>
TOTAL	<u><u>(4,136,646.74)</u></u>

6.4 ***We recommended that Management effect the necessary adjustments in the books of the reconciling items in order to arrive at the correct cash balance at year end, giving priority to reconciling items appearing in the bank reconciliation statements over the years.***

6.5 Management explained that the bulk of the unreconciled balance per bank pertained to those commissions directly deducted by the bank and paid or transferred directly to the account of the Collecting Agency – DBP Services (CADBP) during the time that the Accounts Receivable from customers are being contracted out. The documents being requested from the Collecting Agency have not been forwarded to them claiming that most of the documents were already lost due to transfer of office. The reconciliation and adjusting entries were on hold after the non-renewal of the contractual who were assigned to do the job.

7. **Gender and Development Plans were not implemented. However, it allotted P120,000.00 or 0.004% of the required GAD budget of P146 million, of which P20,000 was spent for Physical and Mental Fitness Program.**

7.1 MWSS-RO did not formulate a GAD Plan and Budget to address gender issues with the concerned sector or mandate and implement applicable provisions under R.A. No. 9710 or the Magna Carta for Women, Convention on the Elimination of All Forms of Discrimination Against Women, the Beijing Platform for Action, the Millennium Development Goals (2005-2015), the Philippine Plan for Gender-Responsive Development (1995-2005), and the Philippine Development Plan (2011-2016) as enunciated under the GAA 2012.

7.2 Based on the report submitted by Management, of the DBM-approved COB of P2,921,187.000, Management allotted only P120,000.00 or .0.004% of its budget which was short of the P146,059,350.00 or 5% requirement under GAD rules. In the absence of an approved GAD Plan, Management still conducted GAD activities

during the year spending only P20,000 particularly for its Physical and Mental Fitness Program.

7.3 **We reiterated our previous year’s audit recommendation that Management strictly comply with the requirements set forth under Joint Circular No. 2004-1 as superseded by Joint Circular No. 2012-01 which will take effect beginning 2013 for the GAD planning and budgeting process of FY 2014 and the ensuing years until repealed and Section 28 of GAA 2012.**

7.4 Management has not commented on the said observation.

A.2.2 Common to MWSS CO and MWSS RO

1. **The balance of the reciprocal accounts between MWSS Corporate Office and the Regulatory Office in the amount of P1.35 billion and P640 million respectively remained unreconciled with the asset accounts higher than liability accounts by P713 million due to unresolved issues on the sharing of income and expenses. As a result, no elimination of these reciprocal accounts was effected in the financial statements for CY 2012.**

1.1 The balances at year-end asset account *Due from CO* (141) was P1,099,161,770.38 while the liability account *Due to RO* (423) was P523,932,729.19 or a difference of P575,229,041.19 as shown in the table below:

**Table A.2.2.1.1
Summary of Unreconciled balances of reciprocal accounts
Due to Regulatory Office (423)/ Due from Corporate Office (141)**

	Due from CO (RO's Books)	Due to RO (CO's Books)	Difference
BALANCE 12/31/2011	1,328,391,238.00	958,002,376.15	370,388,861.85
Reconciling Items :			
(RO Books) Recognition of term extension payment of MWSI made on April 2011		105,974,034.90	
(RO Books) Recognition of term extension payment of MWCI made on October 2011		105,974,034.90	
(RO Books) Recorded on 11/30/12 - Share in Concession Fee payment of MWSI Extension April 2012		111,060,788.58	
(RO Books) Recorded on 11/30/12 - Share in Concession Fee payment of MWCI Extension October 2012		111,060,788.58	
CO Books) Recorded receivable from MWCI/MWSI on Concession Fee-COB for CY 2013 based on National Statistic Office Summary Inflation Report Consumer Price Index November 2012.	229,229,467.62		
Total Reconciling Items	229,229,467.62	434,069,646.96	204,840,179.34
BALANCE 12/31/2012	1,099,161,770.38		

523,932,729.19	575,229,041.19
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1.2 The asset account *Due from RO(143)* showed a year-end balance of P254,439,743.17 while the liability account *Due to CO (421)* showed a balance of P116,525,403.82, with a difference of P137,914,339.35 as shown in the table below.

Table A.2.2.1.2
Summary of Unreconciled balances of reciprocal accounts
Due from Regulatory Office (143)/ Due to Corporate Office (421)

	DUE TO CO (RO'S BOOKS)	DUE FROM RO (CO'S BOOKS)	DIFFERENCE
BALANCE 12/31/2011	<u>116,525,403.82</u>	<u>254,081,127.01</u>	<u>137,555,723.19</u>
Reconciling Items :			
Electricity (Account 143-01-03)			
Payment of Accrued Expenses (Electricity) for the period 10/26/11-12/31/11		514,870.12	
Payment of Electric Bills - MWSS Building for 2012		2,404,276.77	
Set-up for Payable of Electricity Bill for the period 11/26/12-12/31/12		243,483.67	
Payment of Electric Bills - Balara Guest House for the period 12/31/11-02/08/12		168,511.48	
Less: Offset of Electricity Bills against account 423 (DUE TO RO)			
		(4,775,898.24)	
		(459,747.96)	
Board of Trustees (Account 143-01-07-01)		581,810.99	
COA (Account 143-01-07-06)		1,681,309.33	
Total Reconciling Items		<u>358,616.16</u>	<u>358,616.16</u>
BALANCE 12/31/2012	<u>116,525,403.82</u>	<u>254,439,743.17</u>	<u>137,914,339.35</u>

1.3 The reciprocal account balances between the MWSS Corporate Office and the MWSS Regulatory Office were not reconciled, and thus were not eliminated in the consolidation of the financial statements. Because of the non-reconciliation of these reciprocal accounts, the total assets, total liabilities and other affected income and expense accounts were not correctly stated.

1.4 ***We reiterated our previous recommendations that Management:***

- a. ***Immediately reconcile the discrepancies between the reciprocal accounts to come up with the valid and reliable balances in the books of both the RO and CO;***

- b. ***Thereafter, conduct a periodic reconciliation of these accounts and see to it that the balances are always reconciled;***
- c. ***Ensure that only legitimate and authorized shared expenses are recorded against RO; and***
- d. ***Submit to the MWSS Board of Trustees a written policy on the type and nature of charges to be made on these reciprocal accounts; and***
- e. ***Ensure that actual charges to these accounts be approved/acknowledged as valid claims by the authorized official/s of the concerned offices.***

1.5 MWSS Management headed by the Office of the Administrator with previous discussions with the Board of Trustees, have agreed in principle on the following:

- a. For Concession Fees - Corporate Operating Budget (CF-COB) paid by the two Concessionaires at the beginning of every year for budget requirement of both Corporate Office and Regulatory Office, the Corporate Office will remit to the Regulatory Office the amount required only to the limit of their Budget requirement. Thus, equal sharing which is the manner being done in the past would be set aside. This is to be supported by the Board Resolution to be issued by the MWSS Board.
- b. The rationale for this limit are the facts that:
 - The Regulatory Office personnel are 50% less than the Corporate Office;
 - The Corporate Office requires bigger budgetary requirement for payment of i.e., AA, COLA, Contract Collector's claim, RA 1616 which budget requirement have to be sourced from income derived after privatization; and
 - MWSS availed of a P2.250 billion loan in March 2011 to defray the shortage of the BNP Paribas maturity payment. The shortage was brought about by the disputed claim on Cost of Borrowings which has yet to be settled with the Maynilad. The amortization for the principal and interest being paid for the loan amounts to P400M per year.

1.6 Management also submitted the following comments:

- a. Payments of Dividends and the manner of sharing have yet to be resolved but we expect that the matter will be considered and resolved upon issuance of the board resolution.
- b. For Concession Fees (additional) due to Term Extension approved in 2009 for the Manila Water Co., Inc. and in 2010 for the Maynilad Water Services, Inc., which increased the CF-COB by 100%, the amount now equivalent to P737.09M per record of the RO and the CO is awaiting Board action. Said

amount is being contested by the MWSS Management to be retained in the MWSS.

- c. *For Shared Expenditures*, incurred expenses by both CO and RO which are being recorded as Receivable/Payable from the two Offices. With the decision of the MWSS Management and the Board of Trustees for the Corporate Office to retain the additional CF due to Term Extension, it was also agreed in principle for the CO to write off the receivable due from RO and charge the whole amount to the Corporate Office.
- d. *For Expenditures on Utilities*, expenses for Auditing Services, Power (Meralco) are billed and collected.
- e. The Administrator in the exit conference held last 22 May 2013, issued a statement that he will personally take responsibility regarding the unreconciled balances of the reciprocal accounts.

2. MWSS paid P51.91 million to its officials and employees for allowances and other benefits and booked up payables/obligations of P0.38 million for the same for the month of December 2012 without the required approval or confirmation from the Office of the President, resulting in excess of actual expenditures over the DBM-approved Corporate Operating Budget.

2.1 MWSS continued to pay its officials and employees the following allowances without the required approval or confirmation from the Office of the President as shown in the DBM-approved Corporate Operating Budget (COB) for CY 2012. Shown below are the specific benefits and allowances with remarks from the DBM per approved COB.

<i>Benefits& Allowances</i>	<i>Duration</i>	<i>Amount</i>	<i>Per DBM-Approved COB</i>
Cost of Living Allowance	monthly	40 % of Basic Salary	none
Amelioration Allowance	monthly	10 % of Basic Salary	none
Rice Allowance	monthly	P 1,800 per month	none
Meal Allowance	monthly	P 150 per day	P66/month for incumbents of positions as of June 30, 1989 as per LOI No. 97.
<i>Benefits& Allowances</i>	<i>Duration</i>	<i>Amount</i>	<i>Per DBM-Approved COB</i>
Longevity Pay	monthly	P 200 per year in service	None
Hazard Pay	monthly	P 600 per month	none

2.2 Verification of records showed that MWSS granted its officials and employees the following allowances for the period January to December 2012 despite previous audit recommendations to stop the grant:

Table A.2.2.1.2				
Summary of allowances granted to officials and employees of MWSS				
ALLOWANCES	PERIOD COVERED	PAID	ACCRUED DECEMBER 2012	TOTAL
Rice Allowance and Meal Allowance	Jan. to Dec. 2012	10,243,118.88	372,100	10,615,218.88
Longevity Pay	Jan. to Dec. 2012	6,822,573.89	7,000	6,829,573.89
COLA	Jan. to Oct. 2012	22,641,156.73		22,641,156.73
Amelioration Allowance	Jan. to Oct. 2012	5,660,288.09		5,660,288.09
Hazard Pay	Jan. to Dec. 2012	1,733,289.96		1,733,289.96
Productivity Incentive Allowance (MWSS RO)	Jan. to Dec. 2011	4,177,090.70		4,177,090.70
Performance Based Bonus(MWSS-CO)	CY 2012	630,500		630,500
TOTAL		51,908,018.25	379,100.00	52,287,118.25

2.3 Review of the DBM-approved COB for CY 2012 showed that the grant or excess payment of the above allowances have no legal basis since there was no approval or confirmation from the Office of the President. As stated in the DBM-approved COB for CY 2012, MWSS shall strictly adhere to the provision of law specifically mentioned was Section 5 of PD 1597 which provides that allowances, honoraria, and other fringe benefits shall be subject to the approval of the President upon the recommendation of the DBM.

Table A.2.2.1.3				
Paid allowances vs. DBM-Approved allowances				
ALLOWANCES	PERIOD COVERED	TOTAL AMOUNT PAID	Allowed by DBM	Excess (for Disallowance)
Rice& Meal Allowance	Jan. to Dec. 2012	10,615,218.88	100,584	10,514,634.88
Longevity Pay	Jan. to Dec. 2012	6,829,573.89	--	6,829,573.89
COLA	Jan. to Oct. 2012	22,641,156.73	--	22,641,156.73
Amelioration Allowance	Jan. to Oct. 2012	5,660,288.09	--	5,660,288.09
Hazard Pay	Jan. to Dec. 2012	1,733,289.96	---	1,733,289.96
Productivity Incentive Allowance* (MWSS-RO)	Jan. to Dec. 2011	4,177,090.70	132,000	4,045,090.70
Performance Based Bonus(MWSS-CO)	CY 2012	630,500	630,500	--
TOTAL		52,287,118.25	863,084	51,424,034.25

- 2.4 The grants of abovementioned benefits without proper authority have been consistently brought to the attention of Management but Management allowed the continuous payment of the benefits to its employees except for COLA and Amelioration allowances which was stopped on October 2012.
- 2.5 As regards hazard pay, MWSS paid the same to the officials and employees who are assigned at the MWSS despite the fact that it is located at MWSS Compound, Old Balara, Quezon City, which was neither a strife-torn or embattled area nor exposed to harmful elements or situations as required under Section 3.0 of DBM Budget Circular No. 2005-4 dated July 13, 2005.
- 2.6 Section 3.1.1 and 3.1.2 of Section 3.0 on the Rules and Regulations on Hazard Duty Pay (HDP) under DBM Budget Circular No. 2005-4 states:
- “3.1 Heads of government agencies may grant HDP to their personnel at the following rates without the need for approval by the Department of Budget and Management (DBM), provided that the following conditions are met:*
- 3.1.1 The personnel were actually assigned to, and performing their duties and responsibilities in, strife-torn or embattled areas*
- 3.1.2 The areas of assignment have been determined and certified by the Secretary of National Defense or by his authorized representative as strife-torn or embattled areas.”*
- 2.7 Since the MWSS office does not fall under any of the areas enumerated in the above-mentioned regulations and no certification from the Secretary of National Defense was issued, therefore the payment of Hazard Pay has no legal basis.
- 2.8 Management in reply to the same audit observation in CY 2011 informed that they will have the MWSS Balara Compound assessed by the Occupational Health and Safety Center of the Department of Labor and Employment (OSHC-DOLE) and/or the Department of Health to determine whether the said MWSS Compound is a hazardous work place or not as per Board Resolution No. 2012-127-E dated September 20, 2012. As of date, we have no information on the results of the assessment.
- 2.9 ***We recommended that Management obtain confirmation or post facto approval from the Office of the President for the said allowances for CY 2012 and previous years as indicated in the COB.***
- 2.10 ***We issued the following Notice of Disallowances as shown in the table below.***

Benefits	ND No.	Date	Amount
MWSS-CO			
Amelioration Allowance	13-001-05-(12)	6/13/13	3,680,227.14
COLA	13-002-05-(12)	6/14/13	14,720,328.21
Sub-Total			18,400,555.35
MWSS-RO			

Benefits	ND No.	Date	Amount
Amelioration Allowance	13-001-RO-(12)	6/6/2013	1,991,974.15
COLA	13-002-RO-(12)	6/10/2013	7,910,835.98
Productivity Incentive Bonus	13-004-RO-(12) Amended	6/10/2013	3,924,797.50
Sub-Total			13,827,607.63
TOTAL			32,228,162.98

3. Representation and Transportation Allowance (RATA) in excess of GAA authorized rates and positions were continuously granted to MWSS-CO to officials and employees of MWSS in the amount of P13.10 million.

3.1 Under Section 45 of the General Provisions of the CY2012 General Appropriations Act (GAA), RATA shall be granted to the following officials and those of equivalent rank, to wit: Department Secretaries, Department Undersecretaries, Department Assistant Secretaries, Bureau Directors and Assistant Bureau Regional Directors and Chief of Divisions, identified as such in the Personal Services Itemization and Plantilla of Personnel and at rates applicable to them.

3.2 Audit of CY 2012 transactions disclosed that Management continued to pay RATA to its officials and employees in the amount of P17,027,364.87 out of which was P13,048,426.81 disallowed in audit, as shown below.

Reference Table	Office	Particulars	Amount
Table A.2.1.3.3.a.1	MWSS CO	RATA In Excess Of The GAA Rates	2,704,617.28
Table A.2.1.3.3.a.2	MWSS RO	RATA In Excess Of The GAA Rates	1,781,504.62
Table A.2.1.3.3.b.1	MWSS CO	Employees Not Entitled to RATA	6,001,992.84
Table A.2.1.3.3.b.2	MWSS RO	Employees Not Entitled to RATA	2,608,369.22
Total			P13,096,483.96

3.3 MWSS RATA recipients maybe categorized into two, as follows:

- a. Employees entitled to RATA under the GAA rates but receiving RATA at 40% of basic salary although they were not incumbents as of July 1, 1989. The Supreme Court has ruled in the case of Philippine Ports Authority vs. COA (214 SCRA 653), that LOI 97, which provides RATA equivalent to 40% of basic salary, shall apply only to officials who were incumbents and were receiving RATA as of July 1, 1989. It stressed that the giving of RATA to officials hired after July 1, 1989 will be tantamount to the

conferment of additional financial incentives which is no longer allowed under Section 16 of R.A. 6758.

Table A.2.1.3.3.a.1						
MWSS CO - Schedule of RATA in Excess of the GAA Rates						
Designation	Name	SG	TOTAL CLAIMED	GAA RATES per Month	GAA RATES x 12	EXCESS
ADMINISTRATOR	Esquivel , Gerardo A.I.	30	356,936.80	17,400.00	208,800.00	148,136.80
Senior Deputy Administrator	Santos, Nathaniel	29	279,662.80	15,600.00	156,000.00	123,662.80
DA Administration & Support Services	Andin, Zoilo Jr.	28	236,020.80	14,000.00	126,000.00	110,020.80
DA for Operations	Cleofas, Leonor	28	312,962.80	14,000.00	168,000.00	144,962.80
Project Manager - Engineering & Project Mgt. Dept.	Dimatulac, Jose	27	239,178.97	13,000.00	130,000.00	109,178.97
DM Property Management Dept	Elefante, Vicente	26	266,228.80	11,000.00	132,000.00	134,228.80
DM Internal Audit Dept.	Sarmiento Bienvenido	26	263,146.40	11,000.00	132,000.00	131,146.40
DM Corporate Planning Dept.	Abrigo Ronald	26	266,228.80	11,000.00	132,000.00	134,228.80
DM Legal Services Dept.	Uy, Darlina	26	275,723.20	11,000.00	132,000.00	143,723.20
DM Finance Dept.	Poloso, Estrellito	26	279,278.72	11,000.00	132,000.00	147,278.72
DM Administrative & General Services	Bataasin, Florendo	26	266,228.80	11,000.00	132,000.00	134,228.80
Board Secretary VI	Naz, Ma., Lourdes	25	252,853.60	8,000.00	96,000.00	156,853.60
Division Manager - Human Resource & Records Management Division	Delos Santos, Laurelynn	24	231,892.00	8,000.00	96,000.00	135,892.00
Division Manager - General Services Division	Ceguerra, Loida	24	239,755.67	8,000.00	96,000.00	143,755.67
Board Secretary V	Mendoza, Maria	24	237,398.00	8,000.00	96,000.00	141,398.00
Executive Assistant V	Bautista, Cecille	24	226,524.00	8,000.00	96,000.00	130,524.00
Division Manager - Finance & Budget Division	Rondario, Lilia	24	231,892.00	8,000.00	96,000.00	135,892.00
Division Manager - Project Mgt. Division	Lualhati, Nestor	24	226,524.00	8,000.00	96,000.00	130,524.00
Division Manager - Engineering Division	Rosario, Lerma	24	221,089.12	8,000.00	88,000.00	133,089.12
Division Manager - Property Mgt. Dept.	Macatula, Julio	24	231,892.00	8,000.00	96,000.00	135,892.00
TOTAL			5,141,417.28		2,436,800.00	2,704,617.28

Table A.2.2.3.3.a.2
MWSS RO – Schedule of RATA in Excess of the GAA Rates

Designation	Name	SG	TOTAL CLAIMED	GAA RATES x 12	EXCESS
Chief Regulator	Quizon, Manuel P.	29	170,905.80	109,200.00	61,705.80
Technical Assistant	Villaroman, Timoteo C.	28	158,804.80	98,000.00	60,804.80
DA, Financial Regulation	Rivera, Goldelio G.	28	146,930.80	84,000.00	62,930.80
Acting DA-CSR	Marcial, Randolph G.	28	302,691.20	168,000.00	134,691.20
DA, Admin & Legal	Zaldivar, Estrella D.	29	318,397.46	177,600.00	140,797.46
DA, Financial Regulation	Cruz, Samuel B.	28	50,537.38	28,000.00	22,537.38
DA, Technical Regulation	Sullano, Gerardo A.	28	41,512.86	28,000.00	13,512.86
Acting DM-PID	Fernandez, Darren D.	26	226,061.06	110,000.00	116,061.06
DM, Water Quality Control	Mateo, George C.	28	233,904.60	140,000.00	93,904.60
Acting DM - WQCD	Agustin, Evelyn B.	26	97,884.44	44,000.00	53,884.44
DM, Operations Monitoring	Romano, Elias R.	26	270,989.46	132,000.00	138,989.46
DM, FAAMD	Mendoza, Guillermo O.	28	283,007.16	132,000.00	151,007.16
Acting DM - TCMD	Chuegan, Christopher D.	26	140,087.26	66,000.00	74,087.26
Acting DM - FAAMD	Zausa, Ma. Sharlene	26	114,178.70	55,000.00	59,178.70
Chief Economist	Valdez, Rosalinda T.	26	53,411.60	22,000.00	31,411.60
DM, Complaints &	Alegre, Rosendo	26	276,523.60	132,000.00	144,523.60
Acting DM, Metering Efficiency	Espallardo, Carlito	26	239,935.20	121,000.00	118,935.20
DM, Admin	Octa, Virginia V.	26	276,790.40	132,000.00	144,790.40
Acting DM - Legal	Lagman, Johli	26	34,816.80	22,000.00	12,816.80
DM, Legal	Parras, Mylene Joy S.	26	276,934.04	132,000.00	144,934.04
TOTAL			3,714,304.62	1,932,800.00	1,781,504.62

- b. Employees do not fall under any of the GAA authorized position/salary grade to be entitled to RATA and neither are they appointed as officer-in-charge of these positions or performing the functions of the position but receiving RATA.

Table A.2.2.3.3.b
MWSS CO – Schedule of Employees Not Entitled to RATA

DESIGNATION	NAME	SG	RATA CLAIMED
SENIOR CORPORATE ATTY - LEGAL SERVICES DEPT.	Codamon, Jeff	21	167,194.80

DESIGNATION	NAME	SG	RATA CLAIMED
SENIOR CORPORATE ATTY - LEGAL SERVICES DEPT	Altuna, Anabelle	23	220,306.00
CHIEF INTERNAL CONTROLL OFFICER	Yabut, Carmelita	22	197,358.80
ADMINISTRATIVE SERVICES CHIEF	Palma, Yolanda	21	185,343.60
GENERAL SERVICES CHIEF A	Lopez, Rodolfo	21	185,343.60
CORPORATE FINANCE SERVICES CHIEF	Cuevas, Salome	22	199,698.80
CORPORATE FINANCE SERVICES CHIEF	Fulgueras, Miriam	22	202,063.50
CORPORATE FINANCE SERVICES CHIEF	Matel, Virgilio	22	204,464.00
SR. TECHNICAL ASSISTANT	Ortha, Merylyn	22	211,250.80
TECHNICAL ASSISTANT A	Layno, Rose Brigitte	22	195,049.60
CORPORATE PLANNING CHIEF	Bautista, Orlando	22	199,698.80
PRINCIPAL ENGINEER A	Baluca, Hydie	22	200,474.13
EXECUTIOVE ASSISTANT III	Ascan, Marvic	20	177,723.99
PROJECT MGT. OFFICER A	Carpio, Fernando	22	204,464.00
PROJECT MGT. OFFICER A	Dacanay, Evangeline	22	209,354.80
PROJECT MGT. OFICER A	De Vera, Rebecca	22	202,064.00
PRINCIPAL ENGINEER A	Dorado, Jose	22	204,464.00
PRINCIPAL ENGINEER A	Escoto, Jose Alfredo Jr.	22	204,464.00
PROJECT MGT. OFFCIER A	Fabul, Ramon	22	204,464.00
CHIEF CORPORATE ATTY. LEGAL SERVICES ,	Arellano, Benedicto	23	228,788.22
PROPERTY MGT. SERVICES CHIEF - PMD	Pamatmat, Rowena	21	183,165.60
ESTATE MGT. CHIEF - PMD	Raymundo, Caesar	22	226,894.00
SENIOR TECHNICAL ASSISTANT A	De Leon, Elenita	22	202,064.00
EXECUTIVE ASSISTANT III - OA	Espejo, Restituto III	20	172,028.80
HEAD TECHNICAL ASSISTANT - OA	Sta. Maria, Susanne	23	220,306.00
PRINCIPAL ENGINEER C	Gaspar, Nida	20	195,049.60
SR. FINANCIAL PLANNING SPECIALIST A	Mendoza, Evangeline	19	212,110.40
CORPORATE FINANCE SERVICES CHIEF A	Toledo, Jocelyn	22	227,053.58
NEWLY HIRED	Articulo, David Joseph B.	22	131,623.02
NEWLY HIRED	Ryan James V.	22	193,273.81
NEWLY HIRED	Laysa, Ma. Clarissa	23	34,390.59
TOTAL			6,001,992.84

**Table A.2.2.3.3.b.2
MWSS RO – Schedule of Employees Not Entitled to RATA**

Designation	Name	SG	RATA Claimed
Head Technical Assistant	Leido, Carlos A.	23	108,846.40
Chief Corporate Attorney	Lagman, Johli R.	23	187,543.55
<i>Acting Technical Assistant</i>	Dalistan, Jose Noel O.	22	142,112.80
Technical Assistant	Fernandez, Darren D.	22	31,878.40
Supvg. WURO	Agustin, Evelyn B.	22	133,168.00
Acting Supvg. WURO	Bagaporo, Isabel V.	22	67,105.81
Technical Assistant A	Romero, Emelita M.	22	205,052.00
Supvg. WURO	Chuegan, Christopher D.	22	92,684.80

Designation	Name	SG	RATA Claimed
Supvg. Fin'Imgmt Spec.	Zausa, Ma. Sharlene	22	115,540.00
<i>Acting Supvg. FMS</i>	Castasus, Candelaria P.	22	41,514.61
Chief Economist	Valdez, Rosalinda T.	22	158,971.40
<i>Acting SWURO</i>	Pagtalunan, Diane Lyne P.	22	104,639.58
<i>Acting Chief Economist</i>	Cirio, Leila O.	22	39,748.00
Technical Assistant	Leido, Steve P.	22	205,052.00
Supvg. WURO	Cordova, Melchor S.	22	204,660.00
<i>SWURO</i>	Espallardo, Carlito E.	22	18,020.00
<i>Acting SWURO</i>	Villarba, Ma. Victoria M.	22	125,052.00
Supvg. WURO	Ayapana, Francis Eduardo	22	201,774.42
Technical Assistant	Javier, Ramon A.	23	201,640.30
<i>Acting Technical Assistant</i>	Sarmiento, Benedict A.	22	33,552.92
Sr. Corporate Atty.	Minas, Crescenciano B.	21	189,812.23
TOTAL			2,608,369.22

- 3.4 The payment of RATA to the MWSS employees without proper authority has been brought to the attention of Management in previous Annual Audit Reports from 2000-2001, 2008 to 2011 and Notice of Disallowance No. 2001-018-05(00) dated March 5, 2001 was already issued. This ND as affirmed in COA Decision No. 145 dated December 30, 2010 has been the subject of special civil action for certiorari filed by MWSS against the COA in the Supreme Court (G.R. 195105) on May 23, 2012. Several Notice of Disallowances (ND) were also issued in CY 2010, to wit: ND Nos. 10-007-05-(09), 10-008-05-(09), 10-009-05-(09) and RO-10-023-510-(09), all dated July 10, 2010, affirmed under Cluster B Decision No. 2011-007 and with pending appeal with the COA Commission Proper.
- 3.5 Management had previously explained that there are legal bases for the grant of 40% RATA not only to incumbents as of July 1989 but also to those hired thereafter. RATA was granted by virtue of LOI 97 dated August 1979 which is a special law and therefore cannot be repealed by RA 6758 (Salary Standardization Law) which is a law of general application.
- 3.6 The position that only those hired before 1989 shall be entitled to RATA equivalent to 40% was contrary to the ruling of the high court in the case of Irene Cruz, Lilia M. Cruz, et. al. vs. COA, CGR No. 134740 dated October 23, 2001, which held that the date of hiring of an employee cannot be considered as a substantial distinction. The employees, based on the title or position they were holding, were exposed to the same type of work, regardless of the date they were hired. The entitlement of MWSS employees to RATA has already been resolved by the Quezon City Regional Trial Court in Pedro Aguilar et. al. vs. MWSS (CC No. Q-91-8964) in favor of the petitioners. The dispositive portion of the decision commands MWSS to adjust and pay the RATA of all employees and officials of MWSS at the rate of 40% of their standard basic salaries retroactive October 1, 1989.
- 3.7 COA has ruled under COA Decision No. 2009-072 dated September 1, 2009 relative to ND No. 2001-018-05(00) that:

“xxxThe newly-hired employees did not acquire any right over the 40 percent RATA then enjoyed by the retired MWSS employees pursuant to LOI No. 97 as they are not incumbents referred to under RA 6758. This issue has been squarely addressed in PPA vs. COA, supra where the Supreme Court classified the petitioners into two categories. The first category officials were incumbents as of July 1, 1989 and more importantly, they were receiving the RATA provided by LOI No. 97 as of July 1, 1989 while the second category officials were incumbents as of July 1, 1989 but were not receiving said RATA as of July 1, 1989. The court ruled thusly:

“We therefore adjudge that these second category officials may not avail themselves of the RATA under LOI No. 97. Their RATA shall be paid in accordance with the provisions of the annual General Appropriations Acts, if their positions are among those mentioned therein.”

Records show that no one among the 30 persons held liable belonged to the first category of incumbents and at the same time recipient of the 40% RATA provided by LOI No. 97 as of July 1, 1989. Thus, following the ruling in the PPA case, whatever payment of RATA shall be in accordance with the provisions of the GAA but only if their positions are among those mentioned therein. Section 41 of the 2000 GAA allowed RATA only to Division Chiefs and above or those positions with salary grade 24 and above.”

- 3.8 **We reiterated our previous years’ recommendation that Management discontinue the computation of RATA based on LOI 97 and apply the rates authorized under the GAA and stop the grant of RATA to employees who do not fall under any of the enumerated positions entitled to RATA in the GAA.**
- 3.9 **Notices of Disallowances for the payment of RATA in CY 2012 were issued, as listed in the table below.**

ND No.	Date	Amount
MWSS Corporate Office		
ND No. 13-003-05-(12)	July 1, 2013	2,704,617.28
ND No. 13-004-05-(12)	-do-	6,001,992.84
Sub-total		8,706,610.12
MWSS Regulatory Office		
ND No. 13-006-RO-(12)	June 10, 2013	4,389,873.84
Total		13,096,483.96

- 4. **MWSS paid P9.86 million for the procurement of private health insurance of its employees for the period March 18, 2011 to June 17, 2013 contrary to COA Resolution No. 2005-001.**

4.1 COA Resolution No. 2005-001 dated February 3, 2005 stated that:

“The procurement of private health insurance by any agency or instrumentality of the government is an irregular expenditure and constitutes unnecessary use of public funds which cannot be countenanced by this Commission.”

4.2 It further stated that: *“Violation of this Resolution shall cause the disallowance of the corresponding disbursement of funds and the heads of the agencies or instrumentalities involved including the government owned and/or controlled corporations and those officials participating therein shall be held personally liable therefore.”*

4.3 The rationale behind the prohibition from securing health care insurance from Private Insurance Agencies, as follows:

WHEREAS, procurement of another health insurance by government agencies from private health insurance companies is a disbursement of public funds for the same purpose and must be viewed as a form of additional allowance and compensation;

WHEREAS, by constitutional mandate, no elective or appointive public officer or employee shall receive additional, double, or indirect compensation, unless specifically authorized by law (Section 8, Article IX-B, 1987 Constitution);”

4.4 Contrary to the above-mentioned provision, MWSS procured private health insurance as follows:

Payee	Period Covered	Amount
MWSS CO		
MEDICard Philippines, Inc.	March 18, 2011 to March 17, 2012	3,019,950.00
-do-	-do-	37,022.35
-do-	-do-	15,211.60
-do-	March 18, 2012 to June 17, 2012	857,205.00
		3,929,388.95
Fortune Medicare, Inc.	June 18, 2012 to June 17, 2013	2,985,516.00
Sub total		6,914,904.95
MWSS RO		
MEDICard Philippines, Inc.	March 18, 2011 to March 17, 2012	1,389,177.00
Fortune Medicare, Inc.	June 18, 2012 to June 17, 2013	1,551,528.00
Sub total		2,940,705.00
Total		9,855,609.95

4.5 This year the amount was booked up as Insurance Expense while last year MWSS-CO recorded it in the books as Other Personnel Benefits-Medical Allowance.

4.6 MWSS – Corporate Office and Regulatory Office started the procurement of health insurance in CY 2007 and CY 2009 respectively.

- 4.7 Although this finding was already cited in last year's Annual Audit Report, Management still continued to incur these expenses. Management justified the procurement of private health insurance as a necessary expenditure in compliance with Memorandum Circular No. 33, Series of 1997 of the Civil Service Commission, considering that MWSS-CO did not have provision for medical staff in its existing plantilla of positions and the abolition of their medical clinic in CY 1997.
- 4.8 We invoked that the prohibition on the procurement of private health insurance by any agency or instrumentality of the government was affirmed by COA Decision No. 2012-251 dated December 20, 2012 which cited the following:

“This Commission is not unaware that government agencies procure health insurance from private health insurance providers; thus, it issued COA Resolution No. 2005-001 dated February 3, 2005. It rationalizes therein that procurement thereof is a disbursement of public funds for a purpose similar to that appropriated for PHIC premiums and is viewed as an additional allowance and compensation, which is contrary to the SSL.”

- 4.9 **We recommended that Management comply strictly with COA Resolution No. 2005-001.**
- 4.10 **Notices of Disallowance for the procurement of private health insurance were issued, as listed in the table below.**

ND No.	Date	Period	Amount
MWSS Corporate Office			
ND – 13-005-05-(12)	July 1, 2013	March 18, 2011- March 17, 2012	3,072,183.95
ND – 13-006-05(12)	July 1, 2013	March 18, 2012 – June 17, 2012	857,205.00
ND – 13-007-05(12)	July 1, 2013	June 18, 2012- June 17, 2013	2,985,516.00
Sub-total			6,914,904.95
MWSS Regulatory Office			
ND – 13-006-RO-(12)	June 10, 2013	March 18, 2011- March 17, 2012	1,389,177.00
		June 18, 2012- June 17, 2013	1,551,528.00
Sub total			2,940,705.00
Total			9,855,609.95

5. **No approval or confirmation by the Office of the President was obtained for the gradual increase in the System's share of the Welfare Fund from 5% to 35% which were effected in 1999, 2005, 2006 and 2009.**

5.1 The Employee Savings Fund was established on July 1, 1991 by virtue of Board Resolution No. 92-91 which shall consist of contributions from regular employees and the MWSS at 5% of the standardized basic salary. MWSS released the amount of P15 million as initial contribution to the Fund chargeable to the 1991 Budget. All expenses necessary in the administration of the fund shall be borne by the MWSS within the first two years of operation. Thereafter, gradual increases in the System's share were implemented as follows:

Effective date	Increase
January 1999	5% to 10%
June 2005	10% to 15%
January 2006	15% to 20%
January 2009	20% to 35%

5.2 As shown in the Corporate Operating Budget, the DBM disapproved the said increases for lack of approval/confirmation from the Office of the President.

5.3 In CY 2011 Annual Audit Report we called the attention of Management on the unauthorized increases in Welfare Fund government share in view of the DBM disapproval. To address the issues raised in the audit report, the MWSS Board of Trustees through Board Resolution No. 2012-127-G dated September 20, 2012 and confirmed on October 12, 2012 reverted the government share to the original rate of 5% of basic pay as approved by the Office of the President/DBM and directed Management to secure proper approval from OP/DBM for the subsequent increases in the rate of the employer's share. The Resolution also provides that until the proper approval from OP/DBM are secured, the release to any provident/ welfare fund member who retires from the service or wishes to withdraw or resign from his/her membership from said Fund shall be at the amounts corresponding to the OP/DBM approved employer's share. Therefore effective October 2012, the remittance of welfare fund government share was reverted to 5% of basic pay.

5.4 However, to date, no approval or confirmation by the Office of the President has been submitted to the increases in government share in January 1999, June 2005, January 2006 and January 2009 to September 2012.

5.5 ***We recommended that Management:***

- a. ***Expedite the request for post-facto approval/confirmation from the Office of the President for the increase of the government share from January 2009 to September 2012; and in case of non-approval/non-confirmation, hold the officials concerned liable for the unauthorized increases; and***
- b. ***Ensure that members who will withdraw or resign from the Welfare Fund will only paid the amounts corresponding to the employer's share as authorized and approved by the OP/DBM.***

- 5.6 Management informed that any member who withdraws or resigns from the Welfare Fund will only be paid the amounts corresponding to the employer's share (5%) as authorized and approved by the OP/DBM. Management will pursue the effort to secure post-facto approval from the Office of the President for the past increases from 5% to 35%. Short of the recommended post-facto approval, the subject matter of this COA observation should be deemed complied with and resolved.
- 5.7 ***We will issue the necessary Notice of Disallowance should no approval or confirmation by the Office of the President be secured by MWSS.***
6. **The payment of CNA Incentive to the officials and employees in the total amount of P6 million was not supported with documents showing proof of compliance with the guidelines under Section 3 of DBM Budget Circular No. 2011-5.**
- 6.1 Pertinent provisions of DBM Budget Circular No. 2011-5 dated December 26, 2011 are as follows:
- a. Section 3 states that the CNA Incentive for FY 2011 may be granted only when the agency has completed at least 90% of all programs/activities/projects approved in its budget and accomplished or delivered at least 90% of the performance targets under each major final output consistent with the Organization Performance Indicator Framework (OPIF)
 - b. Section 3.5 further requires that the CNA Incentive for FY 2011 shall be determined based on the amount of savings generated by the Agency following the guidelines enumerated under Section 3.2. to 3.4 but not to exceed P25,000 per employee.
 - c. Section 3.6 provides that payment shall only be made after submission to the DBM of reports on accomplishments for the year, based on the physical and financial plan submitted to DBM. Agencies are also required to submit to DBM on or before March 31 of every year, of an annual report on the total expenditure for CNA Incentive, the amount of CNA Incentive granted to qualified employees, and the sources of savings used for the purpose following the format in Annex A of DBM CircularLetter No. 2011-9.
- 6.2 MWSS officers and employees were paid CNA Incentive of P25,000 each. However, we could not determine Management compliance with the DBM guidelines due to the non-submission of documents showing action taken to comply with the requirements set forth under Section 3 of DBM Budget Circular No. 2011-5. The documents submitted were the bank transmittal letter authorizing the bank to credit to the bank accounts of the employees the amount released as payment of CNA Incentive and signed payroll. We have verbally requested for the submission of the Management compliance with the guidelines but as of to date, such documents have not been submitted.
- 6.3 ***We recommended that Management submit the necessary documents to show proof that the payment of CNA Incentive was in accordance with the provisions of DBM Budget Circular No. 2011-5 dated December 26, 2011.***

6.4 The MWSS Regulatory Office submitted only requirement b above which is the computation of the generated savings. There were no other documents submitted by Management.

6.5 ***We will issue the necessary Notice of Suspension for the submission of lacking documents.***

7. **The actual expenditures for Personal Services (PS) and Maintenance and Other Operating Expenses (MOOE) for CY 2012 exceeded the DBM Approved COB by P121.43 million, contrary to Section 4(1) of PD 1445.**

7.1 Section 4(1) of PD 1445 states that *“No money shall be paid out of any public treasury or depository except in pursuance of an appropriation law or other specific statutory authority.”*

7.2 Review of the MWSS Corporate Operating Budget showed the following:

Proposed	Approved	Actual expenses	Excess of actual vs. approved COB
P573,800,000	P180,196,000	P301,624,230.23	P121,428,230.23

7.3 The variance in Personal Services was attributable to the payments of the following benefits discussed in Comments and Observations Nos. 17 and 18 as follows:

- a. Payment of personnel benefits such as COLA and Amelioration Allowance, Hazard Pay, Longevity Pay, Rice Subsidy and Welfare Fund to officers and employees disallowed by DBM for lack of legal basis; and
- b. Payment of RATA in excess of the General Appropriations Act authorized rates and positions.

7.4 On the other hand, the variance in MOOE was due to the excess in operating expenses for CY 2012 over the DBM-approved COB for MWSS Regulatory Office as shown in the table below.

Table A.2.2.7.4 Excess of Actual Expenditures over DBM-Approved Budget			
PARTICULARS	2012		
	Actual	DBM	Excess Expenditures
Communication Expenses	1,440,312.56	1,665,000.00	224,687.44
Rents	362,516.71	342,000.00	(20,516.71)
Supplies & Materials	1,386,871.21	4,013,000.00	2,626,128.79

PARTICULARS	2012		
	Actual	DBM	Excess Expenditures
Utility Expenses	2,568,893.31	2,723,000.00	154,106.69
Taxes, Duties and Fees	153,197.51	2,316,000.00	2,162,802.49
Repairs & Maintenance – Gov't. Facilities	260,047.07	222,000.00	(38,047.07)
Professional Services	7,431,698.67	7,188,000.00	(243,698.67)
Interest Expense on Debt Service (Int'l. Bank)	0.00	9,090,000.00	9,090,000.00
Travelling Expenses	195,754.56	1,212,000.00	1,016,245.44
Subscription Expenses	100,964.00	152,000.00	51,036.00
Membership Dues & Contributions to Org.	2,370.00	9,000.00	6,630.00
Advertising/Publications/Promotional	564,964.20	603,000.00	38,035.80
Representation Expenses	696,541.04	480,000.00	(216,541.04)
EME	1,227,504.98	562,000.00	(665,504.98)
Training Expenses	1,631,728.67	0.00	(1,631,728.67)
Consultancy Services	88,850,000.00	0.00	(88,850,000.00)
Insurance Expenses	1,536,833.80	0.00	(1,536,833.80)
TOTAL	108,410,198.29	31,177,000.00	(77,233,198.29)

7.5 We also observed the delayed submission of proposed budget to DBM. MWSS submitted its budget to DBM only on November 12, 2012, seven weeks before the end of CY 2012. This is contrary to Section 6, Part II of Executive Order No. 518, dated January 23, 1979, which requires the submission of the proposed budget prior to the beginning of the fiscal year.

7.6 ***We recommended that Management:***

- a. ***Incur expenditures within the limits of the DBM-approved budget as required under Section 4(1) of PD 1445 and that the granting of benefits without proper authority should be stopped; and***
- b. ***Submit the Corporate Operating Budget to the DBM before its budget execution in compliance with Section 6, Part II of Executive Orders No. 518.***

7.7 Management has not commented on the above observation.

8. **Deficiencies were noted in the handling and liquidation of cash advances with year-end balance of P628,592.**

8.1 Audit of cash advances of the MWSS – Corporate Office disclosed that four employees have not liquidated their cash advances, namely:

<i>Accountable Officer</i>	<i>Amount</i>	<i>Date Granted</i>	<i>Audit Observations</i>
Lulu Anchuvas	P 55,395.79	June 1997	She was no longer connected with MWSS since August 1997, The liquidation voucher she submitted was misplaced during privatization, therefore there was no basis for recording the liquidation
Domingo dela Pena	113,258.34	1991	He was already terminated from the service and was reported dead. There was no follow-up on his pending claims from MWSS which could cover the liquidation of his accountability.
Ronald Fontamillas	45,000.00	January 31, 2008	His cash advance was used for his executive check up in 2007. He was no longer connected with the MWSS since July 6, 2008.
	P213,654.13		

The total unliquidated cash advances had been reported by this office to the Fraud Audit Office, Special Services Sector, Commission on Audit, in compliance with COA Circular No. 2012-004 dated November 28, 2012 pertaining to the demand for liquidation and settlement of all outstanding cash advances.

- 8.2 On the other hand, we conducted a cash examination of the cash advances of the Special Disbursing Officer of MWSS – Regional Office and noted no shortage nor overage. However, we noted deficiencies in the handling of the cash advance of the AO, as follows:
- a. The Accountable Officer (AO) maintains a record of all the transactions in her computer (no hard copy was presented at the time of audit) which is not in the same format as the cashbook required under Section 6.2 of COA Circular No. 97-002.
 - b. The cash advance granted to the AO or part of it was deposited in the AO's personal account under PNB Account No. 398889300040, in violation of Section 106 of the GAAM Vol 1.
 - c. The designation as a Special Disbursing Officer was incompatible with her position as a Fiscal Examiner A where she audits, reviews and evaluates all supporting documents of Disbursement Vouchers. She is also in charge of maintaining the Cash Advance Subsidiary Ledgers.
 - d. Cash advances granted for specific purposes were not fully liquidated as soon as its purpose was served or at year-end, in violation of Section 5.8 of COA Circular 97-002 dated February 10, 1997.

8.3 Our verification of the Due from Officers and Employees showed that six Accountable Officers with total cash advance of P12,000 failed to liquidate their cash advances which pertained to payment for travel allowances within the prescribed period. Section 3.1.2 of COA Circular 96-004 dated April 19, 1996 provides that cash advances for travel shall be liquidated within 30 days after return to the official station.

8.4 ***We recommended that Management:***

- a. ***Exert all efforts to have all these outstanding cash advances liquidated immediately;***
- b. ***Require the Accountable Officer to record all her transactions in a cashbook, footed and closed at the end of each month;***
- c. ***Require the Accountable Officer to keep her cash advances in the vault/safe receptacle and not to deposit the same in her personal account; and***
- d. ***Designate an SDO other than the Accountable Officer who has no access/control over recording/accounting of the financial transactions of the MWSS-RO, as control of the accounting records and financial operations should be the responsibility of different individuals in order to promote a sound internal control.***

8.5 We invite your attention to the pertinent provisions of COA Circular No. 2012-004 dated November 28, 2012:

- a. ***Section 6 – Final demand to settle unliquidated cash advance***
 - ii. Wherefore, final notice and demand is hereby made to all concerned to settle and liquidate all outstanding cash advances as of December 31, 2011 on or before January 31, 2013. Provided, however, that those who have been issued by the Commission on Audit notice and demand, prior to the issuance of this Circular, to settle and liquidate their cash advances within a specified period, shall do so within the period specified in the said notice.
 - iii. For purposes of this Circular, an accountable public officer refers to a public officer or employee who, in the discharge of his office, receives money from the government which he is bound to later account for. Transfer, separation or retirement from the government does not operate to discharge the said person from coverage of the definition and corresponding duty to account for the unliquidated advances.
 - iv. This Circular shall serve as the demand required under appropriate law, rules and regulations to settle the accountable officer's unliquidated cash advance as well as all those who are already separated from the service or have transferred to other agency.

A.3.1 Summary of Unsettled Disallowance, Charges and Suspensions

A summary of the audit disallowances and suspensions issued as of December 31, 2012 is shown below, with details in the succeeding tables.

Particulars	MWSS – Corporate Audit Office	MWSS-Regulatory Office
Audit Disallowances/Charges with Pending Appeal with the Cluster 3/Commission Proper or Without Appeal Received but Appeal Period has not yet Expired	163,999,261.15	82,242,414.99
Notice of Disallowances which are final and executory	900,000.00	
Audit Disallowances for CY 2012 transactions issued in CY 2013	34,022,070.42	21,158,186.47

Table A.3.1 Audit Disallowances/Charges with Pending Appeal with the Cluster 3/Commission Proper or Without Appeal Received but Appeal Period has not yet Expired MWSS Corporate Office					
ND NO.	Date	Nature of Disallowance	Amount	Pending Appeal with COA	Status
10-001-05-(09)	July 16, 2010	Year-End Financial Assistance	6,565,910.90	Pending Appeal with the Commission Proper	Cluster B Decision No. 2011-007
10- 02-05-(09)	July 16, 2010	Anniversary Bonus	5,417,999.39	-do-	-do-
10-003-05-(09)	July 16, 2010	Anniversary Bonus	5,688,443.56	-do-	-do-
10-004-05-(09)	July 16, 2010	Monetization of Leave credits	1,178,209.03	-do-	-do-
10-005-05-(09)	July 16, 2010	Traditional Anniversary Bonus	686,000.00	-do-	-do-
10- 06-05-(09)	July 16, 2010	Mid-Year Financial Assistance	5,818,138.91	-do-	-do-
10-007-05-(09)	July 16, 2010	RATA for January 2009	104,000.00	-do-	-do-
10-008-05-(09)	July 16, 2010	RATA for February 2009	104,000.00	-do-	-do-
10-009-05-(09)	July 16, 2010	RATA for March 2009	104,000.00	-do-	-do-
10-010-05-(09)	July 16, 2010	Family Day Allowance (Regular)	1,800,000.00	-do-	-do-
10-011-05-(09)	July 16, 2010	Rate Rebasing Bonus (Regular)	5,764,746.31	-do-	-do-

ND NO.	Date	Nature of Disallowance	Amount	Pending Appeal with COA	Status
10-012-05-(09)	July 16, 2010	Family Week Allowance (Regular)	6,454,899.70	-do-	-do-
10-013-05-(09)	July 16, 2010	Performance Enhancement Incentive	6,524,033.20	-do-	-do-
10-014-05-(09)	July 16, 2010	GOCC Incentive For CY 2008	5,471,382.77	-do-	-do-
10-015-05-(09)	July 16, 2010	Scholarship Allowance (1st Tranche)	3,985,333.71	-do-	-do-
10-016-05-(09)	July 16, 2010	Scholarship Allowance (2nd Tranche)	6,603,893.90	-do-	-do-
10-029-05-(09)	Aug. 16, 2010	Corporate Christmas Package for CY 2009	10,730,286.97	-do-	-do-
10-017-05-(09)	July 29, 2010	PX Mart Allowance (4th Quarter)	2,630,000.00	-do-	Cluster B Decision No. 2011-012 and COA CP Case No. 2011-371
10-108-05-(09)	July 29, 2010	Grocery Incentive Pay (1st Quarter)	2,048,273.83	-do-	-do-
10-019-05-(09)	July 29, 2010	Grocery Incentive Pay (2nd Quarter)	2,053,273.85	-do-	-do-
10-020-05-(09)	July 29, 2010	PX Mart Allowance (3rd Quarter)	2,635,000.00	-do-	-do-
10-021-05-(09)	July 29, 2010	Efficiency Incentive Benefit for CY 2009	5,929,843.97	-do-	-do-
10-022-05-(09)	July 29, 2010	Privatization Financial Assistance	5,679,037.49	-do-	-do-
10-023-05-(09)	July 29, 2010	Educational Assistance	5,741,017.42	-do-	-do-
10-024-05-(09)	July 20, 2010	Extraordinary Expenses	1,325,375.40	-do-	-do-
10-025-05-(09)	July 29, 2010	Extraordinary Expenses	2,111,192.85	-do-	-do-
10-030-05-(09)	Aug.18, 2010	Grocery Allowance (2nd Quarter - BOT)	77,628.50	-do-	-do-
10-031-05-(09)	Aug.18, 2011	Grocery Allowance (1st Quarter - BOT)	73,747.09	-do-	-do-
10-032-05-(09)	Aug.18, 2011	Grocery Allowance (3rd Quarter - BOT)	90,000.00	-do-	-do-
10-033-05-(09)	Aug.18, 2011	Grocery Allowance (4th Quarter - BOT)	120,000.00	-do-	-do-
Amended/Supplemental ND No. 2012-01-(05-08) dated March 15, 2012 (ND was issued by FAIO)		Various allowances and benefits for the period CY 2005 to 2008	60,483,592.40		ND was issued by FAIO relative to the Special/ Fraud Audit Investigation of CY 2005 to June 2010 disbursements per COA Office Order Nos. 2010-504 dated July 29, 2010; 2010-679 dated October 15, 2010 and 2011-036 (JIT) dated January 19, 2011
Total Disallowance for MWSS-Corporate Office			163,999,261.15		

Table A.3.2
Audit Disallowances/Charges with Pending Appeal with the Cluster 3/Commission Proper or Without Appeal Received but Appeal Period Has Not Yet Expired

MWSS Regulatory Office

ND NO.	Date	Nature of disallowance	Amount	Pending appeal with COA	Status
RO10-001-719-3(09)	7/16/2010	Anniversary Bonus (Traditional)	622,000.00	Pending Appeal with the Commission Proper	Still with the Commission Proper
RO10-002-719-3(09)	7/16/2010	Productivity Enhancement Pay (PEP)	622,000.00	-do-	-do-
RO10-003-510(09)	7/16/2010	Rate Rebasing Allowance	622,000.00	-do-	-do-
RO10-004-510(09)	7/16/2010	Rate Rebasing Incentive Pay (Premium)	622,000.00	-do-	-do-
RO10-005-510(09)	7/16/2010	Family Day & Educational Allowances	416,000.00	-do-	-do-
RO10-006-719-6(09)	7/16/2010	Traditional Christmas Bonus	793,400.00	-do-	-do-
RO10-007-510(09)	7/16/2010	Productivity Incentive Bonus (PIB) 1	793,400.00	-do-	-do-
RO10-008-510(09)	7/16/2010	GOCC Incentive	793,400.00	-do-	-do-
RO10-009-510(09)	7/16/2010	Collective Negotiation Agreement (C N A) Incentive	793,400.00	-do-	-do-
RO10-010-510(09)	7/16/2010	Scholarship Allowance (2 nd Tranche)	793,400.00	-do-	-do-
RO10-011-510(09)	7/20/2010	Efficiency Incentive Bonus	447,400.00	-do-	-do-
RO10-012-510(09)	7/20/2010	Scholarship Allowance (1 st Tranche)	597,400.00	-do-	-do-
RO10-013-510(09)	7/20/2010	Family Week Allowance	793,400.00	-do-	-do-
RO10-014-510(09)	7/20/2010	Performance Enhancement Incentive	793,400.00	-do-	-do-
RO10-015-510(09)	7/20/2010	Calamity Economic Assistance 1	793,400.00	-do-	-do-
RO10-016-510(09)	7/20/2010	Calamity Economic Assistance 2	793,400.00	-do-	-do-
RO10-017-510(09)	7/20/2010	Corporate Christmas Package	1,033,400.00	-do-	-do-

ND NO.	Date	Nature of disallowance	Amount	Pending appeal with COA	Status
RO10-018-717-1(09)	7/20/2010	Productivity Incentive Bonus 2	695,400.00	-do-	-do-
RO10-019-510(09)	7/20/2010	Additional Educational Allowance	311,000.00	-do-	-do-
RO10-020-883-3(09)	7/22/2010	Health & Wellness Allowance	150,000.00	-do-	-do-
RO10-021-717-1(09)	7/20/2010	Productivity Incentive Bonus 3	793,400.00	-do-	-do-
RO10-022-510(09)	7/22/2010	Rate Rebasing Additional	447,400.00	-do-	-do-
RO10-023-510(09)	7/22/2010	RATA Differential	756,000.00	-do-	-do-
RO10-024-719-3(09)	7/22/2010	Privatization Anniversary Bonus 1	597,400.00	-do-	-do-
RO10-025-719-3(09)	7/22/2010	Privatization Anniversary Bonus 2	597,400.00	-do-	-do-
RO10-026-510(09)	7/22/2010	Performance Bonus	695,400.00	-do-	-do-
RO10-027-717-1(09)	7/22/2010	Performance Enhancement Incentive	3,175,426.20	-do-	-do-
RO10-028-717-1(09)	7/22/2010	Productivity Incentive Benefit	5,943,527.44	-do-	-do-
RO10-029-717-1(09)	7/22/2010	Productivity Incentive Bonus	3,454,313.88	-do-	-do-
RO10-030-719-1(09)	7/22/2010	Collective Negotiation Agreement (C N A) Incentive	3,482,425.50	-do-	-do-
RO10-031-717-1(09)	7/22/2010	Performance Bonus	3,451,319.10	-do-	-do-
RO10-032-719-9(09)	7/22/2010	GOCC Incentive	3,482,425.50	-do-	-do-
RO10-033-721 dated (09)	7/22/2010	Hazard Duty Pay- Jan to June 2009	498,000.00	-do-	-do-
RO10-034-721 (09)	7/22/2010	Hazard Duty Pay- July to Dec 2009	493,800.00	-do-	-do-
RO10-035-719-1 (09)	7/22/2010	Anniversary Bonus	2,712,493.34	-do-	-do-
RO10-036-719-1 (09)	7/22/2010	Anniversary (Bigay Pala I)	2,737,201.58	-do-	-do-
RO10-037-510 (09)	7/22/2010	Rate Rebasing Incentive 1	9,358,872.69	-do-	-do-
RO10-038-883-4 (09)	7/22/2010	Grocery Incentive Pay 1 st Quarter	1,330,000.00	-do-	-do-
RO10-039-883-4 (09)	7/22/2010	Grocery Incentive Pay 2 nd Quarter	1,340,000.00	-do-	-do-

ND NO.	Date	Nature of disallowance	Amount	Pending appeal with COA	Status
RO10-040-883-4 (09)	7/22/2010	Grocery Incentive Pay 3 rd Quarter	1,350,000.00	-do-	-do-
RO10-041-883-4 (09)	7/22/2010	Grocery Incentive Pay 4 th Quarter	1,375,000.00	-do-	-do-
RO10-042-510 (09)	7/22/2010	Educational Assistance 1	1,513,200.00	-do-	-do-
RO10-043-510 (09)	7/22/2010	Rate Rebasng Incentive 2	2,451,400.00	-do-	-do-
RO10-044-510 (09)	7/22/2010	Educational Assistance 2	1,519,000.00	-do-	-do-
RO10-045-510 (09)	10/21/2010	Productivity Enhancement Pay (PEP)	3,015,729.40	-do-	-do-
RO10-046-719-1 (09)	10/22/2010	Corporate Christmas Package	5,554,413.46	-do-	-do-
RO10-047-717-1(09)	10/8/2010	Scholarship Allowance	3,392,897.70	-do-	-do-
Total Disallowance for MWSS-Regulatory Office			82,242,414.99		

**Table A.1.3.3
Audit Disallowances - Final and Executory**

MWSS Corporate Office

ND NO.	Date	Nature of Disallowance	Amount	Pending Appeal with COA	Status
10-026-05-(09)	July 28, 2010	Cash Token- Jim G. Fondevilla	200,000.00		No Appeal Submitted
10-027-05-(09)	July 28, 2010	Financial Assistance- Lorenzo S. Sulaik	250,000.00		No Appeal Submitted
10-028-05-(09)	July 28, 2010	Medical/Financial Assistance- Oscar Garcia	450,000.00		No Appeal Submitted
Disallowances which are final and executory – Corporate Office			900,000.00		

Table 1.3.4 Audit Disallowances for CY 2012 transactions issued in CY 2013 MWSS Corporate Office					
ND NO.	Date	Nature of disallowance	Amount	Pending appeal with COA	Status
13-001-05-(12)	June 13, 2013	Amelioration Allowance	3,680,227.14		Within appeal period
13-002-05-(12)	June 14, 2013	COLA	14,720,328.21		Within appeal period
13-003-05-(12)	July 1, 2013	RATA	6,001,992.84		Within appeal period
13-004-05-(12)	July 1, 2013	RATA	2,704,617.28		Within appeal period
13-005-05-(12)	July 1, 2013	Procurement of private health insurance	3,072,183.95		Within appeal period
13-006-05-(12)	July 1, 2013	-do-	857,205.00		Within appeal period
13-007-05-(12)	July 1, 2013	-do-	2,985,516.00		Within appeal period
Total Disallowances for MWSS CO			34,022,070.42		

Table 1.3.5 Audit Disallowances for CY 2012 transactions issued in CY 2013 MWSS Regulatory Office					
ND NO.	Date	Nature of disallowance	Amount	Pending appeal with COA	Status
13-001-RO-(12)	June 10, 2013	Amelioration Allowance	1,991,974.15		Within appeal period
13-002-RO-(12)	June 10, 2013	COLA	7,910,835.98		Within appeal period
13-004-RO-(12) Amended	June 10, 2013	Productivity Incentive Bonus	3,924,797.50		Within appeal period
13-005-RO-(12)	June 10, 2013	Representation and transportation allowance	4,389,873.84		Within appeal period
13-006-RO-(12)	June 10, 2013	Procurement of health insurance	1,551,528.00 1,389,177.00		Within appeal period
Total Disallowances for MWSS RO			21,158,186.47		