

B. STATUS OF IMPLEMENTATION BY THE AUDITEE OF PRIOR YEAR'S AUDIT OBSERVATION

Out of the 24 audit recommendations embodied in prior year's Annual Audit Report, eight were implemented and 16 were not implemented as shown in the following table:

Audit Observations	Audit Recommendations	Action Taken/Comments of Management
<p>MWSS Corporate Office</p> <p>1. The validity of the Property, Plant and Equipment account amounting to P14.74B as of December 31, 2011 could not be ascertained due to non-reconciliation of the Accounting and Property records and non-submission of inventory reports on January 31, 2012.</p> <p>MWSS Regulatory Office</p> <p>Accuracy of the reported net book value of the Property, Plant and Equipment (PPE) totalling P158,804,793.89 as of December 31, 2011 could not be established.</p>	<p>We recommended that Management reconcile the records of the Accounting with the PMD to arrive at a valid and accurate amount of the land owned by MWSS.</p> <p>Conduct periodic physical inventory of all PPE to ascertain their existence and monitor the whereabouts and actual conditions; and comply with Government Auditing Rules and Regulations on the submission of physical inventory report to COA not later than January 31 of each year.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated in Comments and Observations #1 of A.1.1</i></p> <p>Implemented</p>
<p>2. Various assets and liability accounts of MWSS - CO amounting to P370.83M and P473.86M, respectively, are still subject for verification/reconciliation as indicated in the Trial Balance. The balances therefore are of doubtful validity and accuracy that could overstate or understate the assets and liabilities accounts at year end.</p>	<p>We recommended that Management exert effort in reconciling these accounts to avoid further misstatement of assets and liability accounts in order to present fairly the financial condition of the agency.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated in Comments and Observations # 1 of A.2.1</i></p>
<p>3. The discrepancy noted in prior year between the General Ledger balance and the supporting schedule of the account Due to Operating Units – Regulatory Office in the amount of P32M remained unreconciled. Likewise, the difference between the reciprocal accounts of MWSS Corporate and Regulatory Offices</p>	<p>We reiterated our previous recommendations that Management:</p> <p>a. Immediately reconcile the discrepancies between the reciprocal accounts to come up with the valid and reliable balances in the books of both the CO and the RO.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated in Comments and Observations # 1 of A.2.2</i></p>

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<p>increased from P157M in CY 2010 to P358M in CY 2011 despite repeated recommendations for its immediate reconciliation.</p>	<p>Thereafter, a periodic reconciliation of these accounts should be made and see to it that the balances are always reconciled. Management should ensure that only legitimate and authorized shared expenses are recorded against RO.</p> <p>b. Make representations with the MWSS Board of Trustees to formulate a written policy on the type and nature of charges to be made on these reciprocal accounts. Management should ensure that actual charges to these accounts should be approved/acknowledged as valid claims by the authorized official/s of the concerned offices; and</p> <p>c. Reconcile the balance of the controlling account in the General Ledger with the total balance per supporting Schedule to record the correct balance of the Payable account.</p>	
<p>4. The reported Cash in Bank-Local Currency and Other Investments and Marketable Securities - BTR Special Reserve Fund (SRF) accounts of MWSS - CO are overstated by P18.91M due to unreconciled amounts with various banks</p>	<p>We recommended Management to reconcile the recorded Cash in Bank – Local Currency and Other Investments and Marketable Securities - BTR SRF accounts with the confirmed balances of the banks and prepare the necessary adjustments to arrive at the correct year end balances for their fair presentation in the Financial Statements.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated in Comments and Observations # 6 of A.2.1</i></p>
<p>5. Loans Payable – Domestic and Foreign accounts of MWSS-CO and RO were revalued at year end using the FOREX closing rates on December 29, 2011 instead of the closing rates on December 31, 2011 thereby resulting in the overstatement of Liability and Loss on FOREX account as of December 31,</p>	<p>We recommended that necessary adjustments should be made for the recording of accrued interest and revaluation of the foreign currency cash and loans payable accounts using the closing rates prescribed by the Bangko Sentral ng Pilipinas as of December 31, 2011 in order to present fairly the</p>	<p>Implemented</p>

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<p>2011 by at least P50.89M. On the other hand, the corresponding Accrued Interest amounting to P220,129.49 was not recorded in the books of MWSS-RO for the fourth (4th) quarter of CY 2011. Moreover, all Foreign Currency Savings Account of MWSS-CO in the aggregate amount of P1.60M were not revalued at year end resulting in the net overstatement of Cash and Loss on FOREX as of December 31, 2011 by P212,868.24.</p>	<p>assets, liabilities and income of the agency at year end.</p>	
<p>6. Various expenses of MWSS - RO incurred in CY 2010 in the total amount of P104,687.57 were charged to current year's expenses resulting in overstatement of expenses and understatement of income for the year 2011.</p>	<p>Necessary adjustment should be made to correct the accounts.</p>	<p>Implemented</p>
<p>7. The abnormal balances in the Office Supply Inventory-Cell cards by P24,929.76 and Accounts Payable totalling P6.96M impaired the reliability of the financial statements of MWSS-RO as of December 31, 2011.</p>	<p>We recommended that Management analyze the Accounts Payable and Office Supply Inventory-Cell cards that have abnormal balances and take immediate action to correct the deficiencies noted.</p>	<p>Implemented</p>
<p>8. The Corporate Operating Budget (COB) for the Calendar Year 2011 of MWSS-RO totalling P217.99M was not submitted during the year for review and approval of the President, through the Department of Budget and Management (DBM), contrary to Executive Orders No 518 and 292, series of 1979 and 1987, respectively. It was submitted to DBM only on May 18, 2012 and still waiting for its confirmation.</p>	<p>We recommended that management should submit annually the BOT-approved COB to the DBM before its budget execution. Otherwise, all payments made without the requisite approval of the President, through the DBM, may be considered illegal.</p>	<p>Implemented</p>
<p>9. The payment of Welfare Fund by MWSS CO & RO in CY 2011 was disallowed by the</p>	<p>We recommended that Management obtain the post-facto approval/ confirmation</p>	<p><i>Implemented starting October 2012 only.</i></p>

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<p>Department of Budget and Management (DBM) as it was devoid of approval from the Office of the President. The MWSS Board of Trustees, through its Board Resolutions, approved the gradual increase in the System's share of the Welfare Fund from 5% to 35% without the required approval or confirmation from the Office of the President resulting in the over-incurrence of expenses from CYs 1999 to 2011.</p>	<p>from the Office of the President for the increase of the government share as required by the Department of Budget and Management. Otherwise, the MWSS Board of Trustees and Agency officials who authorized the increase in government share shall be held liable for allowing the increase despite disapproval by the DBM.</p>	<p>See <i>Comments and Observations #5 of A.2.2</i></p>
<p>10. MWSS-CO continued to incur various allowances and benefits for CY 2011 in the total amount of P6.39M that are not in accordance with the DBM-Approved Corporate Operating Budget of MWSS resulting in an over-incurrence of expenses by P5.88M.</p>	<p>We recommended that Management's disbursements pertinent to allowances/benefits granted to its officials and employees should be in conformity with the budget approved by DBM.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated in Comments and Observations # 7 of A.2.2</i></p>
<p>11. MWSS – CO Officials and employees were paid Rice Allowance, Anniversary Bonus and Longevity Pay in the amount of P10.80M for CY 2011 without the required approval or confirmation from the Office of the President as disclosed in the DBM-Approved Corporate Operating Budget of MWSS. Meanwhile, Anniversary Bonus was given, although year 2011 was not a milestone year for MWSS.</p>	<p>Management should discontinue the grant of Rice Allowance, Anniversary Bonus and Longevity Pay for lack of legal basis particularly the approval or confirmation from the Office of the President for the disbursement of these allowances as prescribed in the DBM-approved budget for CY 2011.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated in Comments and Observations # 2 of A.2.2</i></p>
<p>12. Despite previous disallowances, the MWSS-CO continued to grant Representation and Transportation Allowance (RATA) to Officials and employees of MWSS in excess of DBM authorized rates and positions. Moreover, DBM allowed the payment of RATA only in the amount of P1.95M for CY 2011 but RATA paid during the year totalled P9.49M or an excess of P7.54M.</p>	<p>We recommended that Management should adhere to the DBM-authorized RATA rates as stated in the General Appropriations Act (GAA) and limit the grant of RATA to MWSS officials who are entitled to receive these allowances.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated in Comments and Observations # 3 of A.2.2</i></p>

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<p>13. Hazard Pay amounting to P1,854,700.25 was paid to MWSS CO & RO officials and employees for CY 2011 contrary to Section 3.0 of DBM Budget Circular No. 2005-4 dated July 13, 2005. Likewise, DBM annually rules that Hazard Pay of MWSS has no legal basis.</p>	<p>Management should discontinue the grant and cause the refund of the payment of Hazard Pay to its officials and employees since not all MWSS employees perform their duties in strife-torn or embattled areas and their lives are not directly exposed to harmful elements or situations that endanger life or health.</p> <p>For MWSS employees who are directly exposed to harmful elements or situations that endanger life or health, Management could grant the hazard pay to their employees provided all the conditions set forth under DBM Budget Circular No. 2005-4 are met. The claimant should also submit a copy of a Special Order from the Administrator covering the assignment to hazardous areas and a Certification by the Secretary of Department of Health, Department of National Defense or Director of the Philippine Institute of Volcanology and Seismology that the place of assignment/travel is a strife-torn/embattled area or with volcanic activity and/or eruption.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated in Comments and Observations # 2 of A.2.2</i></p>
<p>MWSS Corporate Office</p> <p>14. La Mesa Resort Zone (La Mesa Ecopark)</p> <p>a) There were deficiencies noted on some of the provisions of the Memorandum of Agreement for the operation of La Mesa Resort Zone (La Mesa Ecopark).</p> <p>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 (2)</p>	<p>We recommended that :</p> <p>a. The MWSS Board of Trustees should clearly designate the stewardship and control of the Environmental Trust Fund to either LMEB or the LMRZ-EC.</p> <p>b. Creation of the LMRZ-EC that will formulate policies regarding the LMRZ aside from other functions and responsibilities stated in the MOA.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated in Comments and Observations # 4 of A.2.1</i></p>

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<p>representatives each from MWSS, AFI, and LGQC. The 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.</p> <p>Section 1.2 of 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.</p> <p>b) The 40% share in the net income generated from La Mesa Ecopark was not recorded in the books of MWSS pursuant to Section 11 of the MOA among the parties involved.</p>	<p>c. Compliance with the provision of Section 6 of the MOA in order to maintain sound internal control.</p> <p>d. MWSS should require the post facto approval and ratification of the MOA to enable the Agreement to be fully effective.</p> <p>e. 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.</p> <p>f. We recommended that Management require the AFI to submit the Annual Financial Report and remit the corresponding share of income to the MWSS.</p>	
<p>15. There were deficiencies noted in the hiring of Consultants by MWSS - CO in CY 2011.</p> <p>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.</p>	<p>MWSS should strictly adhere to the prevailing rules and regulations on the hiring of consultants</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated in Comments and Observations # 5 of A.2.1</i></p>

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<p>b) The procurement of the consultancy services was done without public bidding as required under RA 9184.</p> <p>c) There are available MWSS - CO personnel who can perform the designated duties and responsibilities of the hired consultants, negating the necessity of hiring.</p> <p>d) Payments of consultancy fees were approved by the MWSS Board of Trustees only on October 25, 2011 after the actual services were rendered. In one instance, no contract was executed for services rendered and paid.</p>		
<p>16. The procurement of private health insurance in the aggregate amount of P3.06M by MWSS-CO and RO from Medicard Philippines, Inc. covering the period March 18, 2011 to March 17, 2012 is contrary to COA Resolution No. 2005-001 dated February 3, 2005.</p>	<p>Management should comply strictly with COA Resolution No. 2005-001 dated February 3, 2005 that prohibits securing health care insurance from Private Insurance Agencies.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated in Comments and Observations # 4 of A.2.2</i></p>
<p>17. Procurement of MWSS-RO equipment and supplies approximately amounting to P2.93M were undertaken without the Annual Procurement Plan (APP) as required under Section 7 of RA 9184 otherwise known as "Government Procurement Reform Act."</p>	<p>We recommended that Management comply strictly with Section 7.1 of RA 9184. No procurement should be undertaken unless it is in accordance with the approved APP of MWSS-RO.</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated in Comments and Observations # 4 of A.1.2</i></p>
<p>18. Renewal of the Security and Janitorial Services contracts entered into by the MWSS-RO with Top Star Protective Security Corporation and Laging Qlean Janitorial Services for the period January 1, 2003 to December 2011 are not in accordance with Section 5.0 of the Guidelines on</p>	<p>1. Comply strictly with the provisions of Annex A prescribing the Guidelines on the Procurement of Security xxx Services approved by the GPPB under its Resolution No. 24-2007 dated September 28, 2007;</p>	<p><i>Not Implemented</i></p> <p><i>Reiterated in Comments and Observations # 1 of A.1.3</i></p>

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<p>the Procurement of Security and Janitorial Services as Annex A of Government Procurement Policy Board (GPPB) Resolution No. 24-2007 dated September 28, 2007, implementing Republic Act 9184.</p>	<ol style="list-style-type: none"> 2. Procure security services in accordance with RA 9184, particularly thru public bidding; and 3. Submit justification why the disbursement of public funds contrary to the provisions of Annex A of the GPPB Resolution No. 24-2007 implementing RA 9184 should not be disallowed in audit. 	
<p>19. The BOT-approved budget of MWSS-RO did not include allocation for stipends/allowances of trainees under the Government Internship Program. However, the trainees hired by MWSS-RO in CY 2011 were paid stipend/allowances totalling ₱514,453.75 out of the amount budgeted for MOOE Training Expenses-Seminars/Workshops/Conferences.</p>	<ol style="list-style-type: none"> 1. Stop using the amount reserved for Training Expenses Seminar/Workshops/Conferences for paying the stipends /allowances of trainees under the GIP. 2. Make representation with the Board of Trustees to provide specific budget for the stipends /allowances of the GIP trainees. 	<p><i>Implemented</i></p>
<p>MWSS Regulatory Office</p> <p>20. Three (3) members of the Board of Trustees were reimbursed expenses for medical/executive check-ups totalling ₱141,695.56 contrary to Executive Order No. 24 dated February 20, 2011.</p>	<ol style="list-style-type: none"> 1. Comply strictly with the provisions of Executive Order No. 24 dated February 10, 2011 and stop the practice of reimbursing expenses not contemplated under Section 12 of EO No. 24; 2. Require the concerned members of the Board of Trustees to adhere to the provisions of the regulations in reimbursable expenses specifically Section 15 of EO No. 24. 	<p><i>Implemented</i></p>
<p>21. Payment of Cellphone bills to Smart Telecommunications, Inc. from January to December 2011 included SMS and voice calls worth P34,380.46 sent/placed to International telephone numbers in foreign countries where MWSS-RO do not have direct official business</p>	<p>We recommended Management to comply strictly with Section 4 (2) of PD 1445 and submit justification/evidences proving that the SMS and voice calls were sent or made for official purpose/s. Otherwise, require all concerned officers and employees to refund the amount</p>	<p><i>Implemented</i></p>

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dealings.	paid by MWSS-RO to Smart Telecommunications, Inc. covering their SMS and voice calls sent/made to international telephone numbers.	
22. Some MWSS - RO personnel who went on official travels to various parts of the country did not prepare or submit duly accomplished and approved Itinerary of Travel before their scheduled trips. Likewise, after their travel they did not submit the Certificate of Travel Completed.	<ol style="list-style-type: none"> 1. Comply strictly with Executive Order No. 248 dated May 29, 1995 as amended by 298 dated March 23, 2004 and COA Circular Nos. 92-389 dated November 3, 1992 and 96-004 dated April 19, 1996 regarding travel documentations before and after the travel; and 2. In case, actual travel expenses exceed the authorized travel expenses of ₱800.00 per day, submit the certification by the Chief Regulator that the excess travel expenses are absolutely necessary in the performance of an assignment 	<i>Implemented</i>
23. The Collecting Officer in charge of collections of MWSS-RO, a Cashiering function, was at the same time the Cashier/Treasurer of MWSS-RO Multi-purpose Cooperative contrary to Section 67 of the Government Accounting and Auditing Manual (GAAM). He, likewise, holds incompatible positions as Collecting Officer in charge of the collections of MWSS-RO (Cashiering Function) and at the same time as Finance Officer in charge of Bank Reconciliation Statement preparation/review (Accounting Function).	<ol style="list-style-type: none"> 1. Management strictly comply with Section 67 of the Government Accounting and Auditing Manual; and 2. Management segregate the Cashiering and Accounting functions to reduce the possible risk of error or fraud. There is a need to assign the two functions to two responsible employees. 	<i>Not Implemented</i> <i>Reiterated in Comments and Observations # 8 of A.2.2</i>
24. No Annual GAD Plans and Programs for CY 2011 were prepared and submitted by MWSS-CO and RO to the National Commission on the	We reiterate our last year's recommendation that management should strictly comply with the requirements set forth under Joint Circular No.	<i>Not Implemented</i> <i>Reiterated in Comments and Observations # 7 of A.2.1</i>

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<p>Role of Filipino Women (NCRFW), now Philippine Commission for Women (PCW), for review and endorsement to the Department of Budget and Management (DBM). Moreover, Management did not allocate at least 5% of the total budget required under the 2011 General Appropriations Act (GAA) for GAD activities. Lastly, RO's GAD budget for the year, as approved by the MWSS Board of Trustees, was not actually utilized for GAD related activities.</p>	<p>2004-1 and the provision of the GAA .</p>	