**METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM**
**COMMENTS AND OBSERVATIONS**

## I. FINANCIAL STATEMENTS

**1. The Construction in Progress (CIP) account included costs of completed and operational projects and of discontinued projects that were not transferred to Property, Plant and Equipment (PPE) and reclassified to Other Assets, respectively. It also included accounts totaling P797.23 million which are not supported by subsidiary ledgers rendering the account balance of P1.38 billion doubtful of validity and accuracy.**

Project costs pertain to costs of technical services and capital works program to facilitate the implementation of a project. These are accrued based on contractor's accomplishment reports and billings. These include borrowing costs that are directly attributable to the acquisition, development, improvement and construction of fixed assets. Project costs are recorded as CIP when the asset are in progress and expenditures and borrowing costs are being incurred. Once completed, the cost of the project is transferred to the corresponding PPE account.

<u>Completed and operational projects not transferred to corresponding PPE accounts</u>

As at year-end, the balance of the account includes project costs amounting to P302.35 million which were completed and operational. The transfer to the PPE accounts was not effected in the books because the Engineering and Project Management Department (EPMD) was not able to provide the copies of the Certificate of Completion and Acceptance to the Finance Department.

As a result of the non-transfer to the appropriate PPE account, no depreciation was provided on completed and operational assets resulting in the understatement of depreciation expense in 2008 by an estimated P11.13 million and overstatement of income by the same amount. For the accumulated depreciation since 2000, Retained Earnings and PPE were overstated by P47.35 million.

<u>Discontinued project not re-classed to Other Assets</u>

CIP account included costs totaling P23.56 million for project NC-06-CEP (replacement of water mains at Sampaloc, Manila) that was terminated on April 2, 2002 due to insufficient funds, instead of taking it up under Other Asset account.

Absence of subsidiary ledgers

CIP accounts totaling P797.26 million is not supported by subsidiary ledgers for each segment or contract that would allow verification of the validity and accuracy of the transactions recorded therein and the correctness of account balances that will be transferred to appropriate PPE accounts when completed. Management also disclosed that these accounts are subject to reconciliation.

The amount of P797.26 million is broken down as follows:

| **Project** | **Amount** |
|---|---|
| AWSOP (F-75 and F-77) | 2,098,690.08 |
| MWSDP (78) | 3,103,585.18 |
| UATP | 24,539,374.66 |
| F-05 | 767,523,490.14 |
| | **797,265,140.06** |

Management explained that the subsidiary ledger of the CIP totaling 797.26 million was not provided due to non-availability of some sources of documents such as DV, JV, contracts and other pertinent papers prior to MWSS privatization. Management believes that the project costs may still be identified against the pertinent contracts and other supporting documents, however, these could not be done immediately due to manpower constraints and the disorganized condition of the accounting records.

We recommended that Management a) facilitate the issuance of Certificate of Completion and Final Acceptance to serve as basis for the transfer of CIP accounts to appropriate PPE accounts; b) re-compute current and prior years' depreciation; c) create a task force to reconcile the accounts and provide for subsidiary ledgers of all on-going projects; d) record the cost of discontinued projects as Other Assets; and e) consider fund sourcing for the continuation of discontinued projects.

Management commented that while some projects were completed and operational, payments to contractors for final Variation Order (VO) are still for approval, hence, the delay in the issuance of Certificate of Acceptance/Turnover of completed projects. With respect to completed and operational projects totaling 302.35 million, EPMD has already submitted a number of Certificate of Acceptance/Turnover of completed projects for capitalization. The transfer to PPE will be recorded in CY 2009.

2. **Other Receivables included long outstanding accounts totaling P1.56 billion which were not supported with subsidiary ledgers rendering the account doubtful of validity and accuracy and resulted in losses to the government for non-collection.**

Other Receivables accounts stated at P4.25 billion as at year-end includes collectibles by MWSS-Corporate from concessionaires and other suppliers totaling P1.56 billion or 36.71 per cent of Other Receivables that are not supported with subsidiary ledgers and remained outstanding for more than ten years, as follows:

| Account Name | In million pesos | | |
|---|---|---|---|
| | **MWCI** | **MWSI** | **TOTAL** |
| Guarantee deposits | 72.21 | 95.00 | 167.21 |
| Inventory held-in-trust | 43.75 | 98.05 | 141.80 |
| Penalty on delayed remittance | 13.18 | 1,118.31 | 1131.49 |
| Interest /penalty on unpaid borrowing cost | | 95.24 | 95.24 |
| Mabuhay Vinyl | | 5.00 | 5.00 |
| LMG (Chemphil) | 7.73 | 4.63 | 12.36 |
| AWSOP Telemetry | 0.78 | 0.78 | 1.56 |
| La Vista | 0.59 | | 0.59 |
| | **138.24** | **1,417.01** | **1,555.25** |

Guarantee deposits pertain to deposits of customers for water service connections. In 1997, pursuant to the Concession Agreement, the maintenance and collection of the accounts were acquired by the MWCI and MWSI, hence, the accounts were transferred to the books of the concessionaires. Part of those transferred were outstanding deposits as of June 1997 that should have been retained by MWSS. Pursuant to MWSS-RO Case No. 97-011-002 dated June 2, 1998, declaring the improper transfer of the questioned accounts, MWSS set up a receivable from the concessionaires based on the account balance appearing in previous financial statements. Our audit disclosed that Management set up the balance of the account without the supporting subsidiary ledgers and other supporting documents rendering the account balance doubtful of validity and accuracy. Management explained that some supporting documents are still available but have to be sorted and organized to establish the accurate account balance and subsidiary balance of each customer.

Inventory held-in-trust represents costs of inventory turned-over to the concessionaires upon commencement of the Concession Agreement. These were stocks of materials and supplies including pipes, water meters, fire hydrants, automotive spare parts and accessories and other materials. The Concession Agreement provided that upon expiration of the Concession, the concessionaires shall transfer to MWSS, the inventory with value equal to inventory amount available on the commencement date.

Our audit disclosed the account balance is not supported by inventory listing. Management explained that since there was no formal turnover of supplies and materials to the concessionaires no final inventory reports were prepared. As a result, the correctness of the recorded Other receivables account for the inventories transferred to the concessionaires cannot be ascertained.

The amount of penalty on delayed remittance is disputed by MWSI. Until settled by both parties, the amount recorded as receivable is uncertain. Management informed us that the concerned concessionaire requested for the write-off of penalty on delayed remittance but still under consideration.

We recommended that Management coordinate with its concessionaires and undertake the verification and reconciliation of the accounts within an established timeframe. We further recommend that Management act on the request of concessionaires for write-off of penalty on the delayed remittance.

Management commented that they already coordinated with the concessionaires with the end in view of reconciling the receivable accounts.

3. **The balances of Office Furniture and Other Equipment and Transportation Equipment totaling P850.19 million are doubtful due to incomplete inventory taking and non-reconciliation of the accounting and property records.**

The physical inventory of fixed assets of Government-owned and/or Controlled Corporations (GOCCs) shall be conducted at least once a year as of December 31, as provided under COA Circular No. 80-124 dated January 18, 1980 in consonance with the provisions of Section 102 of PD 1445 otherwise known as the Government Auditing Code of the Philippines. The inventory reports shall be prepared and certified correct by the committee in charge of the physical inventory-taking thereof, noted by the Auditor and approved by the Head of Agency. The reports shall be properly reconciled with the accounting and inventory records. A copy of the reports shall be furnished the Auditor not later than January 31 of each year.

MWSS conducts annual physical inventory of its PPE, only for particular groups of assets and no Inventory Report was ever finalized which would allow reconciliation with accounting records.

The effort to conduct inventory is futile and wasteful if the objective was not achieved. Inventory is an indispensable procedure for checking the integrity of property custodianship. The discrepancies between physical and book inventories are established only after a proper inventory and reconciliation have been made.

Philippine Financial Reporting Standards No.36 requires assessment by an entity at each balance sheet date whether there is any indication that an asset is impaired. An accurate listing of existing assets is necessary to determine impairment or appraisal.

In the past, we recommended that Equipment, Materials & Inventory Control Division (EMICD) maintain property ledger cards as a take-off for inventory-taking and for reconciliation with accounting records. We noted that property ledger cards were not prepared.

In the absence of an inventory of PPE and the resulting reconciliation with accounting records, the reliability of the account balances amounting to P850.19 million (net of accumulated depreciation) could not be determined. There were no alternative audit procedures to establish their validity, accuracy and proper valuation at the time of audit.

We recommended that Management institute control over its PPE by conducting complete inventory of all its PPE and reconcile it with accounting records. If there is an indication that an asset is impaired, the asset's useful life, depreciation, or residual value may need adjustment.

We further recommended that Management ensure that all acquisitions be recorded in the Property Ledger Cards.

According to Management, the following activities are being undertaken to ensure that the acquisitions of new equipment are posted in the Property Ledger Cards:

a. Certificates of Acceptance/Turnover received by Finance Department from the Engineering Department are forwarded to Property Management Department (PMD) for reconciliation, verification and adjustment of records.

b. Subsidiary ledgers and updates for equipment accounts are set up based on available documents.

c. Appropriate adjustments is made to allow reconciliation of both records to conform with proper classification of assets.

d. Property numbers for all items verified is adjusted and set up as necessary.

e. Upon approval, acquisitions and capitalization of assets by construction/purchase is recorded and entered in the book accordingly thru initial set up of Property Numbers entered and listed in the PPE Ledger Card-Specific as provided for in the e-NGAS.

**4. Other Assets include accounts that are obsolete and dormant for which no impairment losses and sufficient allowance were provided resulting in the overstatement of the account as well as net income and Retained earnings by P661.39 million.**

Other assets account includes unoperational assets/unserviceable accounts and dormant accounts. Note 13 disclosed that unoperational/unserviceable construction materials and supplies amounting to P242.82 million can no longer be of use in projects due to obsolescence and is now for possible write-off from the books. Likewise, Dormant accounts refer to balances of accounts carried over since the time of the old NAWASA in 1997. We noted that there are no indications that these accounts are recoverable.

We observed that Management did not recognize impairment losses on unoperational and unserviceable assets and did not fully provide sufficient allowance for the dormant accounts resulting in the overstatement of Other Asset account and understatement of Net Income and Retained Earnings.

We recommended that Management recognize impairment loss on unoperational/unserviceable assets and provide a hundred percent allowance for dormant accounts or an additional of P418.57.

5. **Accounts Receivable includes accounts amounting to P121.83 million that are doubtful due to absence of supporting documents.**

Accounts Receivables of P1.30 billion as at year end includes accounts totaling P121.83 million or 9.35 per cent of the account that are unsubstantiated. These are not expected to be collected over a definite period rendering the account balance unreliable, as follows:

| Account name | In million pesos |
|---|---:|
| Receivables from concessionaires | 118.51 |
| Loans receivable | 2.13 |
| Accounts Receivable-disallowances/charges | 1.19 |
| | **121.83** |

<u>Receivables from concessionaires</u>

The Aging Report of receivables from MWCI and MWSI disclosed that P67.06 million remained uncollected for more than two years and P51.45 million are dormant for more than three years or a total of P118.51 million. Of this amount, P29.92 million was reported by Management as subject to reconciliation. Management cannot substantiate the receivables totaling P118.51 million from MWCI and MWSI, hence, they cannot enforce collection.

<u>Loans receivable</u>

The Loans receivables amounting to P2.13 million represent housing project loans granted to MWSS officers and employees. Management reported that the account is subject to further verification and reconciliation. Further, we cannot establish the correct balance of this account because ledgers are incomplete and not updated.

<u>Accounts receivable-disallowances/charges</u>

Audit disallowances totaling P1.19 million were recorded as receivables and remained uncollected/unrefunded for more than three years. Management informed us that pertinent records are not readily available to support the audit disallowances and charges.

We urged Management to coordinate and reconcile their account balances with that of the concessionaires and enforce collection. We recommended that Management send confirmation letters to the availees of the housing loan projects to facilitate reconciliation of the accounts and correct the account balances and enforce collection. We further recommended that Management take immediate action on the verification of records on audit disallowances/charges.

6. **Advance payments to suppliers/contractors amounting to P344.86 million were unsubstantiated and remained un-recouped for more than three years rendering the balance of the Prepayment account doubtful of validity and accuracy.**

   The Procurement Law (R.A. 9184) provides that "(t)he advance payments shall be repaid by the contractor by deducting fifteen percent (15%) from his periodic progress payment."

   The Prepayment account carries a balance of P370.63 million as at year end. This includes advances to suppliers/contractors in the amount of P347.16 million of which P344.86 million were unsubstantiated and remained un-recouped for more than three years. Management explained that some may have already been recovered but the accounts were not updated and reconciled. Management admitted that P116.77 million or 33.86% of outstanding advances to suppliers/contractors is subject to reconciliation. They explained that some documents/records are still available to substantiate the account balances or clear them from the account. Management added that in the past, efforts have been made to reconcile the accounts by hiring contractual employees to do the job because of manpower constraints.

   They commented, however, that recovery of mobilization fees from progress billings may no longer be possible because the pertinent projects are no longer active.

   We recommended and Management agreed to reconcile the accounts for fair presentation in the financial statements. We further recommended Management to pinpoint persons responsible for the non-recoupment and for the improper accounting.

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

   Under the Concession Agreements, MWSS-Corporate Office shall allocate from the concession fees paid by the Concessionaires and pay the Regulatory Office for that year its annual budget.

   The concession fees and other transactions between the two offices are recorded under the reciprocal accounts, Due to Operating Units-Regulatory Office (RO) in the Corporate Office books and the Due from Corporate Office (CO) in the Regulatory Office books. At year-end, the balances of the accounts are consolidated in the financial statements and in the process of consolidation, the account balances are eliminated. As of December 31, 2008, the account balances were not eliminated and were instead reported as separate items in the financial statements. Due from CO amounting to P340.96 million is reported as

Intra-agency receivables and Due to Operating Units-RO amounting to P454.30 is reported as part of Intra-agency payables, resulting in the overstatement of the total assets and liabilities of the agency.

We were not able to ascertain the correct balances of the reciprocal accounts because they do not reconcile. Moreover, the general ledger balance of the Due to Operating Units-RO (component of Intra-agency payable) does not agree with its subsidiary ledgers and the Intra-agency payable carries an abnormal debit balance of P0.62 million. In addition, the CO offset shared expenses/charges against their payables to RO without authority and notification. This practice resulted in unreconciled accounts and unrecorded expenses and assets by the RO.

We recommended that Management eliminate the reciprocal accounts in the consolidation process, reconcile these accounts and discontinue the practice of offsetting to avoid discrepancies and to ensure that only legitimate and authorized shared expenses are recorded and charged against the RO.

**8. Non-recognition of impairment losses on obsolete and unserviceable construction materials resulted in the overstatement of inventories and net income and retained earnings account in the amount of P60.43 million.**

When there is an indication of impairment of assets, the current accounting policy is to estimate the assets recoverable amount and charge an impairment loss in the year in which it arises.

At year end, the Inventories account carried Construction materials reported at P60.43 million. Further verification revealed that the construction materials are already obsolete and unserviceable but Management did not recognize impairment losses resulting in the overstatement of Inventories and Net income and Retained earnings.

We recommended that Management determine the recoverable amount and recognize impairment loss on the construction materials inventory and reclass the same to Other asset account.

**9. Cash account is overstated by P6.63 million because of unrecorded disbursements and is doubtful because of irregular and unsubstantiated disbursements of P35.36 million. Delay in recording of some disbursements was also noted.**

COA Circular No. 92-389 and 97-004 set forth the basic requirements before a disbursement can be processed and approved such as the Certificate of funds availability, approval of expenditure by the Head of Office or his duly authorized representative, documents to establish the validity of claim, conformity to existing laws and regulations, and proper accounting treatment.

Section 124 of PD No. 1445 states that "(i)t shall be the direct responsibility of the Agency Head to install, implement, and monitor a sound system of internal control." One of the basic principles of internal control is that the operating, accounting and cashiering functions should be kept separate to avoid the possible manipulation of accounts and the commission of irregularities.

Unrecorded disbursements

At year-end, the total unrecorded disbursements amounted to P6.63 million which include disbursements made in 2001 to 2007 in the amount of P3.98 million charged against the Main Funds and the P2.65 million charged against the Corporate Funds. The P2.65 million includes disbursements of P0.98 million from 2006-2007 and P1.68 million for 2008 .The checks were already paid by the bank but were not taken up in the books because of lack of supporting disbursement documents such as disbursement vouchers, liquidation documents, signed payroll, delivery receipt and the like. The Accounting personnel explained that the original check vouchers and disbursement vouchers (DV) supporting these transactions are missing and despite diligent efforts could not be found.

Unsubstantiated disbursements

In our review of the bank reconciliation statements as at year end, we observed that checks totaling P3.10 million were paid on January 3, 2008 to the former Supervising Cashier, but were recorded by the same Cashier without the supporting disbursement documents. The checks were signed by the former Administrator and former Finance Manager.

Management commented that in 2007, similar incidents occurred and these have been the subject of a complaint filed by a former MWSS employee, against the former Administrator, former Deputy Administrator, former Finance Manager, former Cashier, Chief Internal Control Officer and former Resident Auditor for malversation of public funds and plunder. Management further informed us that personnel from the Finance Department brought this matter to the attention of the current administration for investigation.

Verification disclosed that in 2007, P32.26 million were withdrawn by former officers and employees from MWSS PNB account outside the regular disbursement procedures and without proper supporting documents, bringing the total unsupported disbursements to P35.36 million, broken down as follows:

| Check Signatories | Payee | Amount |
|---|---|---|
| Administrator<br>Finance Manager | Supvsg. Cashier | 10,820,768.00 |
| Administrator<br>Deputy Administrator | Supvsg. Cashier | 3,291,540.00 |
| Administrator<br>Deputy Administrator | Supvsg. Cashier | 1,300,000.00 |
| Deputy Administrator<br>Finance Manager | Supvsg. Cashier | 6,552,540.40 |
| Unidentified* | Supvsg. Cashier | 13,396,285.00 |
| **Total** | | **35,361,133.40** |

*Check signatories cannot be identified because Management has not submitted to us the paid checks. They alleged that the bank has not heeded their requests for submission of the desired checks.

Notably, the Cashier discharged the incompatible functions of fund custodianship and recording in the books and gives to one person a control over a transaction. This opened the gate to the commission of irregularities. Disbursement vouchers with no supporting documents discloses weakness in fund control that leads to irregularities in the disbursements of public funds.

<u>Delayed recording of disbursements</u>

We also noted the delay in the recording of some disbursements such as the payment of financial assistance to the informal settlers at San Jose Del Monte, Bulacan in February to March 2008 but these were taken up in the books only in July 2008. Responsible officers explained that the delay in the recording of transactions is caused by the failure of the Treasury Section to immediately forward to them the Summary of Check Disbursements together with all paid payrolls and vouchers and its supporting documents for JEV preparation.

We recommended that Management pursue the investigation requested and hold liable the persons found responsible. We further recommended that Management submit supporting disbursement documents such as but not limited to paid checks.

We also recommended that Management institute physical controls on documents evidencing financial transactions, strictly implement existing regulations in disbursements, and improve coordination between the Treasury and Accounting Sections but enforce segregation of incompatible functions.

We further recommended that disbursements be recorded in the books when incurred.

**10. Payable accounts is doubtful of validity and accuracy because P544.45 million or 49.40 per cent of the year-end balance of P1.1 billion is not supported by subsidiary ledgers and contains abnormal debit balance of P9.22 million.**

The Payable accounts of the MWSS-Corporate Office are stated at P988.45 million as at year-end. Of this amount, P544.45 million is not supported by subsidiary ledgers. Moreover, this account contains an abnormal debit balance of P9.22 million.

When e-NGAS was implemented in 2007 by MWSS-Corporate Office, the account balances brought forward as beginning balances were not supported by subsidiary ledgers. Management explained that pertinent records are not easily available and may even be missing already. The only way to determine the correct balance is to work backwards as far as the date of MWSS privatization. The absence of subsidiary ledgers also contributed to the unexplained abnormal balances and accounts for reconciliations.

We recommended and Management agreed to analyze the accounts and establish the valid obligations and make the necessary adjustments.

**11. Other Liabilities account contains accounts totaling P168.05 million which were not substantiated rendering the account doubtful of validity.**

The details of Other liabilities account in the total amount of P1,183.37 million disclosed that account balances amounting to P140.94 million are unreliable because, as noted by Management in the ledgers, these need further verification and reconciliation with supporting documents. Further, the account also carried unexplained abnormal debit balances of P27.11 million. This brings the total amount of unreliable accounts to P168.05 million which represents 14 per cent (14%) of the Other Liability account balance appearing in the financial statements.

We recommended that Management identify valid accounts and write-down invalid payable accounts.

**12. Unliquidated cash advances amounting to P1.64 million at year-end resulted in the overstatement of cash advance and understatement of expense and possible loss to the government.**

COA Circular No. 97-002 dated February 10, 1997, provides, among others, that "(a) cash advance shall be reported on as soon as the purpose for which it was given has been served." It further stated that "no additional cash advances shall be allowed to any Official or employee unless the previous cash advance granted to him is first settled or a proper accounting thereof is made."

Regulations are issued to provide control over the assets to prevent losses that may occur in the future. These are deterrents to commission of errors, intentional or unintentional.

<u>MWSS – Corporate Office</u>

At year end, the outstanding cash advances of MWSS-Corporate Office amounted to P2.77 million. Of this amount, P1.53 million or 55.23% remained unliquidated for more than 120 days. It included the amount of P0.32 million which pertains to advances of former MWSS employees who have already retired/separated from the service without being cleared of their accountabilities. The salaries/benefits of the concerned personnel in the total amount of P20,958.91 were already withheld and were recorded under Other Liability accounts with the understanding that upon submission of the required liquidation documents, the amount withheld will be refunded to the employee concerned.

According to Management, they could not reconcile/adjust the accounts since the documents such as payment index cards, journal vouchers and ledgers could not be located because of the hasty and unorganized physical transfer of documents from one office to another during the implementation of the privatization in 1997.

Further, unliquidated cash advances includes advances of P455,000.00 granted to three former Officials of MWSS for their executive check-up and medical assistance. These types of expenses are not among those authorized to be granted as cash advance. These officials also left without clearance and without money due to them against which their cash advances may be applied.

MWSS – Regulatory Office

Aging of the outstanding cash advances made by MWSS Regulatory Office disclosed that cash advances amounting to P112,940.30 remained unliquidated and outstanding for more than 120 days to eight years.

The unliquidated cash advances of P99,740.30 pertain to cash advances of former officials of MWSS – Regulatory Office, namely: former Deputy Administrator(DA)-Adm. & Legal Affairs, separated from the office in 2002; former Deputy Administrator-Technical Regulation Area and former member of the Board of Trustee, both separated from office in 2007.

Upon the retirement of the former DA, Technical Regulation Area, in August 2007, he was granted a token of P200,000.00. Under COA Circular 97-002, the outstanding cash advances should be recovered by withholding the payment of any money due the accountable officer. Without passing on the issue on the legality of the grant of cash token, Management should have recovered the cash advance from the cash token given to him in 2007.

The failure of the accountable officers to liquidate their cash advances within the prescribed period resulted in the understatement of expenses for the current year and overstatement of income and retained earnings by the amounts legally expended.

We also observed that additional cash advances were granted even if previous cash advances remained unsettled.

We strongly recommended that Management a) strictly implement regulations in the granting, utilization and liquidation of cash advances; b) apply claims withheld from the retired or separated accountable officers against their cash advances as full liquidation; and c) cause or order the withholding of the payment of any money due the accountable officers.

Management commented that cash advances of active officers and employees were fully liquidated as of January 2009. For cash advances of former MWSS employees in the amount of P324,782.19, Management explained that these were cash advances made prior to privatization. They added that since the former Special Disbursing Officer has outstanding receivable from MWSS representing his retirement gratuity, ERIP package, terminal leave pay, COLA and amelioration allowance estimated to be 300% greater than his unliquidated cash advances, his cash advance will be offset against his claims.

With respect to the cash advances of the three former officials of MWSS in the amount of P455,000, Management explained that:

1. The former Deputy Administrator has not claimed his last salary and has not filed his clearance, hence, the cash advance will be deducted from all claims due him;

2. The former Manager, Corporate Planning Department, has not yet filed his salary claim against which Management will deduct his cash advance; and

3. The former Administrator has already issued post dated checks representing refund of his cash advance.

Management assured us that they will issue guidelines for strict implementation in the granting of cash advances, as recommended by COA.

## II. COMPLIANCE AND FINANCIAL CONTROLS

**13. The Corporate Operating Budgets (COB) for the Fiscal Year 2008 of MWSS-Corporate Office and MWSS-Regulatory Office totaling P332.79 million and P176.80 million, respectively, did not pass the review and approval of the President through the Department of Budget and Management (DBM).**

Section 6 of Executive Order No. 518, series of 1979 directs the preparation of an operating budget by each government-owned or controlled corporation which shall be recommended by the Governing Board of the Corporation, for consideration and final approval by the President.

Section 19, Chapter 3, Book VI of Executive Order No. 292, series of 1987 provides that the internal operating budgets of government-owned or controlled corporations shall be approved by their respective governing boards in accordance with a budget calendar and format as may be approved by the President: Provided, that such budgets shall be subject to review and approval as part of the budget process in cases where national government budgetary support is needed, in terms of (a) capital or equity inputs, (b) operating contributions to support specific activities undertaken by the institution as part of its regular functions, and (c) guarantee of the national government for obligations or contracts entered into by the corporations: provided, further, that the submission of interim financial statements may be required by the Secretary.

It further provided under Section 43 that “(e)very expenditure or obligation authorized or incurred in violation of the provisions of this Code xxx shall be void. Every payment made in violation of said provisions shall be illegal and every official or employee authorizing or making such payment, or taking part therein, and every person receiving such payment shall be jointly and severally liable to the Government for the full amount so paid or received.

The COB of MWSS Corporate and Regulatory Office were not approved by the DBM as required under existing laws and regulations. Since the last approval by DBM of their COB in 2006 and 2005 for MWSS Corporate and Regulatory Office, respectively, MWSS incurred expenditures against their COB without the requisite DBM approval.

We strongly recommended that Management seek the required approval by the DBM of its 2008 COB. Without the requisite approval, all payments made in 2008 are considered illegal and may be subjected to audit disallowance. Henceforth, prior approval of COB should be obtained from DBM.

Management explained that their COB for 2008 and 2007 were presented and approved by the Board. The COB 2007 was submitted to the DBM by the Internal Control Department, however, MWSS did not receive the DBM approval to date.

Management contended that since the System is not drawing fund/equity from the National Government, only the financial statements will be submitted as required. They added however that the COBs for 2009 and 2008 will be submitted to DBM for approval as recommended.

MWSS-CO has existing loan contracts which are guaranteed by the national government. This condition falls squarely under item (c), Section 19, chapter 3, Book VI of EO 292.

**14. Concession fees totaling P334.05 million remained unremitted to the MWSS-Regulatory Office as of December 31, 2008 in violation of the Concession Agreement.**

The pertinent provisions of the Concession Agreement provides, to wit:

> *"6.4 (b) Not later than five days after the Commencement Date, the Concessionaire shall pay to MWSS the amount of 50 million Pesos, which MWSS shall use and allocate in accordance with Section 11.2 for the establishment and budget of the Regulatory Office during 1997. In addition, the Concessionaire shall pay to MWSS on the first business day of January of each year thereafter an amount equal to one-half of the annual budget for MWSS for that year, provided that such annual budget shall not for any year exceed 200 million Pesos, subject to annual CPI adjustments*".
>
> *"11.2 Funding. Not later than 10 days after the Commencement Date, MWSS shall allocate from the Concession Fees received from the Concessionaire and the Other Operator the amount of 100 million Pesos which shall constitute the budget of the Regulatory Office for the year 1997. Not later than January 10 of each subsequent year, MWSS shall allocate from the Concession Fees paid in that year by the Concessionaire and the Other Operator the annual budget for the Regulatory Office and MWSS for that year, provided that such annual budget shall not for any year exceed 200 million Pesos, subject to annual CPI adjustments, 100 million Pesos of which, as so adjusted, shall be allocated by MWSS for the Regulatory Office."*

The Due to Operating Unit-Regulatory Office account includes unremitted concession fees to MWSS-RO of P334.04 million as of December 31, 2008. The practice is inconsistent with Sections 6.4(b) and 11.2 of the Concession Agreement between the MWSS-Corporate and the two concessionaires, the Manila Water Company, Incorporated (MWCI) and the Maynilad Water Services, Incorporated (MWSI). The unremitted concession fees pertain to 2008 and 2009 in the amount of P136.02 million and P198.03 million, respectively.

Since the concession fees shall constitute the budget of the Regulatory Office, its non-remittance on time will adversely affect RO's operation.

We recommended that Management enforce collections from concessionaires and immediately remit the concession fees due to the Regulatory Office in adherence to the pertinent provisions of the Agreement to further the attainment of RO's mandates.

**15. The payment of RATA was not in accordance with the GAA rules, prescribed rates and positions.**

Prior to Salary Standardization Law (RA 6758), Management paid RATA to its officials and employees pursuant to LOI 97 which was provided at 40% of basic salary. When RA 6758 took effect, Management continued to grant RATA using the rates authorized under LOI 97.

The Supreme Court has ruled in the case of Philippine Ports Authority vs. COA (214 SCRA 653), that LOI No. 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.

It was noted that in 2008, some officials entitled to receive RATA are receiving them at rates authorized under LOI No. 97 although they were not incumbents and were not yet entitled to RATA as of July 1, 1989. Since their entitlements to RATA attached after July 1, 1989, the rates applicable are those authorized under the General Appropriations Act (GAA). During the year, the excess RATA given to the Board members, officers and employees amounted to P3.08 million.

Further, the GAA, under the Special Provisions, provided that 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 Department Regional Directors, Assistant Bureau Directors, Assistant Bureau Regional Directors and Chief of Divisions, identified as such in the Personal Services Itemization and Plantilla of Personnel.

There were however, employees who do not fall under any of the above positions/salary grade to be entitled to RATA. Neither are they appointed as officer-in-charge of these positions or performing the functions of the position. The payment of RATA amounting to P3.97 million to them is without legal basis.

Also, the Special Provisions of the GAA requires that transportation allowance authorized therein shall not be granted to officials who are assigned or presently use government motor transportation. Similarly, the DBM Publication Manual states that “(t)he Transportation Allowance shall not be granted to officials who are assigned or who use government service vehicles in the performance of their duties and responsibilities.”

We have noted, however, that officials, employees and board members currently receiving transportation allowance also use government service vehicles, thereby resulting in illegal disbursement of funds representing the TA paid to them. Incidentally, these employees were availees of the Car Assistance Plan (CAP). Its Implementing Guidelines directs the availees to surrender the government service vehicle assigned to them. Without passing on the legality of the CAP, these employees being availees of CAP should surrender the government service vehicles that they are using.

We recommended the following:

a. Discontinue the computation of RATA based on LOI 97 and grant the same at rates authorized under the GAA, consistent with Section 16 of RA 6758.

b. Discontinue the grant of RATA to employees who do not fall under any of the enumerated positions under the GAA.

c. Officers, board members and employees being availees of CAP should surrender the service vehicles assigned to them and are not entitled to claim transportation allowance.

d. Management should cause the refund of transportation allowances received in excess of the prescribed rates and in violation of the pertinent provisions of the GAA as the disbursements are considered without legal basis.

Management replied that under Exhibit F of the Concession Agreement (CA), the RATA granted for officials and employees of MWSS is 40% of their basic pay. They explained that the CA which is the working framework relative to the privatization of MWSS has the sanction of the government. As such, they said, it should be protected and enhanced. They elaborated that MWSS is the pioneer towards effective privatization and hence, the constitutional provision that “no law impairing the obligations and contracts may be passed” applied parenthetically to the CA. They believe that the benefits being enjoyed by employees prior and after privatization of MWSS may not be diminished for it would impair a valid and existing Agreement.

We reiterated the position of COA under LAO-Corporate (LAO-C) Decision No. 2002-001 dated September 3, 2002 and affirm our observation that RATA should not be computed at 40% of their basic pay. Under this decision, the LAO-C Director ruled that the contention of MWSS that the Concession Agreement approved by the President of the Philippines enumerates the allowances and benefits for the MWSS is legally untenable. He explained that the allowances and benefits enumerated therein are intended for the protection and benefit of former MWSS employees who were hired by the concessionaires upon the privatization of MWSS. He added that the Concession Agreement sought to avoid the diminution of benefits already received by the pre-privatization employees of MWSS.

**16. Payment of hazard pay totaling P1.74 million was not in accordance with RA 9336 and the pertinent provision of the DBM Publication Manual.**

Hazard Pay is authorized under Section 54, General Provisions of Republic Act No. 9336. It is a compensation premium granted to each performing official and employee actually assigned to, and performing in strife-torn or embattled areas". Not covered are "(t)hose who are not actually assigned to nor performing their duties and responsibilities in strife-torn or embattled areas." (3.9.14 Hazard duty pay, DBM Publication Manual)

Records show that the total hazard pay made to officials/employees of MWSS holding office at MWSS Compound, Old Balara, Quezon City, amounted to P1.74 million from January 1 to December 31, 2008. Metro Manila is not a strife-torn or embattled area, hence, the grant of Hazard Duty Pay to employees based therein was without legal basis.

We recommended that Management discontinue the payment of Hazard Pay to MWSS officials and employees.

Management commented that Hazard Pay is among the existing MWSS benefits mentioned in Exhibit F of the Concession Agreement. And it is previously received by MWSS employees prior to implementation of Salary Standardization II.

We maintained our view that the applicable law on payment of hazard pay is RA 9336 and having not met the condition provided therein, payment of hazard pay by MWSS is without legal basis.

**17. The continuous payment of COLA is inconsistent with the provisions of the Salary Standardization Law.**

Section 12 of RA 6758 known as the Salary Standardization Law reads as follows:

*"Consolidation of Allowances and Compensation*" All allowances, except for representation and transportation allowances; clothing and laundry allowances; subsistence allowance of marine officers and crew on board government vessels and hospital personnel; hazard pay; allowances of foreign service personnel stationed abroad; and such other additional compensation not otherwise specified herein as may be determined by the DBM, shall be deemed included in the standardized salary rates herein prescribed. Such other additional compensation, whether in cash or in kind, being received by incumbents only as of July 1, 1989 not integrated into the standardized salary rates shall continue to be authorized. xxx"

To implement the law, the Department of Budget and Management (DBM) issued Corporate Compensation Circular (CCC) No. 10 specifying that the COLA, amelioration allowance and equity pay previously granted to government employees shall be deemed included in the basic salary. On August 12, 1998, the Supreme Court nullified DBM-CCC No. 10 in De Jesus v. Commission on Audit due to its non-publication in the Official Gazette or in a newspaper of general circulation in the country. In the light of this decision, government personnel claimed back pay for COLA.

CCC No. 10 has long been published and effective. COLA is deemed integrated into the standardized salary rates. In the 2006 MWSS Corporate Operating Budget, DBM disapproved the budget for COLA for lack of legal basis. Despite these, Management continued to pay COLA on top of their standardized salary rates, inconsistent with the provisions of RA 6758.

According to Management, the legal bases for the payment of their COLA are the following:

1. Letter of Implementation No. 97

2. Decision of Supreme Court on GR No. 160396 promulgated on September 6, 2005, entitled Philippine Ports Authority (PPA) Employees hired after July 1, 1989 vs. Commission on Audit.

We recommended that Management discontinue the payment of COLA.

**18. The payment of Extraordinary and Miscellaneous Expenses (EME) was not in accordance with the General Appropriations Act.**

In 2007, we recommended that Management stop the grant of Extraordinary and Miscellaneous Expenses (EME) at rates higher than what is prescribed in the General Appropriations Act and to comply with COA Circular No. 2006-001 which directed that where the authority to grant extraordinary and miscellaneous expense is derived from the General Appropriations Act (GAA), the amounts fixed there under shall be the ceiling in the disbursements.

Management did not implement the recommendations. It continued to grant the EME at rates exceeding the prescribed ceiling. Under Board Resolution No. 2007-053 dated February 22, 2007, the Board authorized the EME rates ranging from P300,000 to P1,920,000 annually. Management invoked Section 4 of its Charter granting plenary power of the Board of Trustees to fix emoluments of MWSS officers and employees.

We do not agree with Management’s contention because the MWSS being a government-owned and controlled corporation is covered by RA 6758 and follow the Compensation and Position Classification System.

The authority to grant EME, therefore, is derived from the General Appropriations Act (GAA), hence, the amounts fixed there under for certain positions shall be followed. In 2008, Management paid P1.69 million in excess of the rates prescribed in the GAA.

We have noted also that EME amounting to P397,581.17 was granted to positions below SG 26 in violation of the GAA.

Further, disbursements totaling P885,008.00 were improperly charged against EME. Such disbursements include financial assistance for hospitalization expenses amounting to P800,000.00 and meal allowance for military assigned at Umiray and Macua in the amount of P85,008.00.

According to Management the grant of EME was stopped in October 2007, which extends EME UP TO SG 22. However, in 2008, the grant was allowed only up to SG 24 supported by receipts.

We recommended that Management adhere to GAA provisions in fixing EME rates and in granting EME. EME paid in excess of the GAA-prescribed rates and given to those not entitled shall be disallowed in audit. We further recommended that accounts improperly charged should be re-classed to proper accounts.

Management replied that improper charging was already adjusted to proper accounts. Likewise, they will discuss with Management Officials and implement as recommended by COA the payments based on GAA rates.

**19. Bonuses and allowances were authorized by the Board and paid by Management without legal basis.**

Under LAO-Corporate (LAO-C) Decision No. 2002-001 dated September 3, 2002, the LAO-C COA Director affirmed the Notices of Disallowances issued with regard to the payment of productivity incentive bonus, discretionary allowance, executive check-up and uniform allowance in 1999 and 2000 for being granted after the enactment of RA 6758 and without the requisite approval from the President of the Philippines or the Department of Budget and Management (DBM). He reckoned that the contention of MWSS that the Concession Agreement approved by the President of the Philippines enumerates the allowances and benefits for the MWSS is legally untenable. He explained that the allowances and benefits enumerated therein are intended for the protection and benefit of former MWSS employees who were hired by the concessionaires upon the privatization of MWSS. He added that the Concession Agreement sought to avoid the diminution of benefits already received by the pre-privatization employees of MWSS.

Following the same line of argument, the bonuses and allowances authorized by the Board and paid by Management to its employees and the Board of Trustees after RA 6758 became effective and without the requisite approval of the President or the DBM were considered illegal disbursement of funds.

Further, allowances already received prior to RA 6758 were increased and were extended to non-incumbents as of July 1, 1989 without the requisite approval. Moreover, the members of the Board who are not allowed under MWSS charter to receive bonuses were paid the same.

We recommended that Management obtain the requisite approval of the benefits granted either from the President or the DBM prior to the payment of benefits. Without the requisite approval, payments of benefits (new or increased benefit) granted after RA 6758 are considered illegal disbursement of funds and may be disallowed in audit.

**20. Cash disbursements totaling P60 million for the implementation of the Car Assistance Plan were irregular disbursement of public funds in violation of RA 6758 and DBM Approved Budget.**

In response to the letter-request dated December 5, 2006 of MWSS Employees Welfare Fund Managers, MWSS-CO and MWSS-RO, respectively, Board Resolution No. 2006-267 dated December 7, 2006 was issued authorizing the grant of financial assistance and/or seed money to the MWSS Employees Welfare Fund in the initial amount of P30 million, to fund the MWSS Car Assistance Plan (CAP) Program.

Under the Resolution, the initial amount of P30 million shall be sourced from the Corporate Office and the Regulatory Office at P20 million and P10 million, respectively, forty percent of which shall be payable to the MWSS Corporate Office or the Regulatory Office (as the case may be) within a period of four years.

We observed that the Car Assistance Plan (CAP), being a benefit granted after the effectivity of the Salary Standardization Law (RA 6758), lacks legal basis as there was no approval either from the President or the DBM. In addition, in the 2006 approved budget, DBM has already disallowed the CAP in the System's budget for lack of legal basis.

We recommended that Management cease to implement the Car Assistance Plan.

**21. Consultants' stated duties duplicate the functions of regular employees and were paid benefits on top of their stipulated compensation.**

In 2007, we observed that the duties and responsibilities enumerated in the contract of some consultants were duplication of functions being performed by the regular employee of the System. We also noted that consultants are receiving benefits on top of their stipulated compensation inconsistent with the rule that the consultants' remuneration shall be inclusive of all the benefits accruing for the services rendered.

In 2008, Management continued to engage consultants whose functions duplicate that of the regular employee and continued to receive benefits in the form of Year-end Financial Assistance and Educational Assistance that reached P92,500.00.

For example, a consultancy contract stipulated the following duties and responsibilities which are the functions of the Corporate Planning Department.

a. Ensure effective planning to implement the approved program/priority thrusts of MWSS for the institutional effectiveness and efficient exercise of its mandate, and,

b. Review and recommend improvements on the proposed organization structure and staffing pattern of the MWSS-CO units.

We reiterated our recommendation that Management discontinue the services of the consultants whose duties are mere duplication of those performed by regular employees and stop extending fringe benefits/allowance.

We recommended and Management agreed to implement as recommended.

**22. The procurement of equipment made by the concessionaire in behalf of the System and the proposed payment by offsetting against the collectibles from the concessionaire is an indirect contravention of the Procurement Law (RA 9184).**

The concessionaire, MWCI purchased two chillers amounting to P14.56 million for use in the MWSS building, subject of a lease agreement between MWSS and MWCI. MWCI seeks to be repaid by way of offsetting the costs against its rental fees payable to MWSS. While Management appears to be amenable to the offsetting, it did not recognize the offsetting in its books, hence, an outstanding receivable remained for more than three years.

The procurement by MWCI is irregular because it was not authorized under RA 9184 as it was not undertaken by the head of the procuring entity that is responsible for all procurement activities in his agency. It is considered an indirect contravention of the Procurement Law.

We recommended that Management undertake all procurement activities to ensure compliance with Procurement Law. In this exceptional case, the procurement of the two chillers, although undertaken by a private entity, should be reviewed by the Commission on Audit to ascertain compliance with existing Procurement Laws and to determine payment of a just amount in recognition of the principle that no one shall be unjustly enriched at the expense of another.

## III. GENDER AND DEVELOPMENT

**23. Management has not fully institutionalized Gender and Development (GAD) and has not provided a budget for its implementation as required under EO No. 273.**

Under EO No. 273 and Joint Circular No. 2004-1 dated April 05, 2004, government agencies are mandated to incorporate and reflect GAD concerns in their agency performance commitment contracts, annual budget proposals and work and financial plans for the development of programs, activities, and projects that promote gender-responsive governance, protect and fulfill women's human rights, and promote women's economic empowerment.

The General Appropriations Act (GAA) provides that agencies are tasked to formulate a GAD plan and to implement the same by utilizing at least five per cent of their total budget appropriations.

For CY 2007/2008, the activities of the MWSS-RO related to GAD were minimal as they were then saddled with very pressing concerns related to the rate rebasing exercises for both Manila Water Company Inc. and Maynilad Water Services Incorporated. The following activities were undertaken:

- Participation in the National Women's Day Celebration sponsored by the National Commission on the Role of the Filipino Women (NCRFW)

- Participation in the Ten Pin Bowling Tournament sponsored by the Philippine Sports Commission in connection with the celebration of the National Women's Month and

- Lecture series on gender sensitive issues like Women's Rights; The Anti-Violence Against Women and their Children Act (RA 9262); Crimes against Women under the Revised Penal Code and Family Code provisions on marriage and Dissolution of the same.

In 2007, we recommended that Management implement the provisions of EO 273 and Joint Circular No. 2004-01 and the pertinent provision of the GAA.

We reiterated our recommendation that Management provide a budget for the implementation of GAD, plan and implement Programs/Activities/ Projects including the GAD activities and formulate Major Final Outputs.

Management explained that the budget for GAD is among those that are allocated in their yearly budget, except that the amount is below the 5% required for such activity, and that they will implement the recommendation of COA in 2009.

## IV. VALUE FOR MONEY

**24. Had there been diligent management of the STP (Sewerage Treatment Plant) project, service to the consuming public may have been promptly delivered and unnecessary costs of P68.30 million could have been avoided.**

One of the sanitation components of the Pasig River Environmental Management and Rehabilitation Section Development Program is the design, construction and procurement of equipment for a sewerage treatment plant capable of processing about 600 cubic meters of septage per day.

The contract, STP-01 was awarded to Salcon Pte Ltd during the administration of Administrator Hondrade. The project cost of P608.28 million was partially funded by the Asian Development Bank (ADB) and the remaining balance was funded by the concessionaire.

In August 2006, advance payments (mobilization fees) amounting to P60.83 million was made to implement the STP-01 contract. Subsequently, the successor, Administrator Jamora, refused payment to the contractor because there was no previous approved Construction Plan as basis for evaluating reasonableness of the contract price. The contractor discontinued the project in 2006 which gave rise to a dispute between the MWSS and Salcon Pte Ltd. and is currently with the Arbitration Committee, constituted on October 2, 2008.

Because of the ensuing dispute, there were no loan draw-downs for two and a half years until the closure of the loan with ADB in September 2008. During this period, MWSS is obligated to pay commitment fees totaling P6.8 million for the un-withdrawn amount. The total obligations incurred for the discontinued project totaled P68.30 million consisting of unpaid commitment fees and guarantee fees and the paid mobilization fees.

Had the dispute been settled within a reasonable time, commitment costs and opportunity loss for the use of money may not have been incurred. Additional costs for arbitration such as honorarium for the members may have been avoided. Although these costs are passed on to the concessionaire (without cost to MWSS), all project costs are considered in the computation of the rate rebasing which may yield a higher water rate chargeable against the consuming public. Further, delivery of service to the consuming public will be delayed.

We recommended that Management facilitate the settlement of the dispute immediately. We further recommended that Management furnish us a copy of the result of the arbitration conducted and hold accountable the persons found to be responsible for the delay.

Management informed us that they cannot make further comment until after settlement of the arbitration.

**25. Receivable from customer's account amounting to P1.12 billion for water and sewerage services rendered prior to privatization remained outstanding for more than ten years resulting in loss to the government.**

Under the Concession Agreements with Manila Water Company, Inc. (MWCI) and Maynilad Water Services, Inc. (MWSI) in 1997, the concessionaires shall have the exclusive right to collect any accounts receivable from customers for water and sewerage services outstanding as of the commence date of the concession. The Concessionaire shall remit all amounts collected less collection fee.

On April 30, 1999, a Collection Services Agreement between MWSS and DBP Service Corporation (DBPSC) was executed for the purpose of collecting the MWSS Accounts Receivable from its customers but the agreement has expired on April 28, 2000. The parties desired to continue and renew the agreement for a period of one (1) year from April 29, 2000 to April 28, 2001. To date, we learned from Management that instead of one year, DBPSC has contracted an indefinite term for its collection services with them. For the period August 1997 to December 2004, Management collected P754.20 million.

As of year-end, the Accounts Receivable includes receivables from customers-water, sewer, raw water stated at P1.12 billion which remained outstanding for more than ten (10) years. There were no readily available subsidiary ledgers and other documentations that would support and establish the claims of MWSS against its customers. Management explained that right after the privatization physical transfer of documents and files from the old office was made in haste without exercising diligence in the safekeeping of these vital records. Whatever was left of these files are kept in the bodega, unsorted and unorganized. Despite the present condition of records, Management is hopeful that some of these receivables may still be collected if the documents are sorted, organized and analyzed. This undertaking, however, requires augmentation in manpower.

We noted that Management provided an allowance for doubtful accounts for the full amount. While the account may be fairly presented in the financial statements by providing for an allowance, Management's inability to substantiate the accounts and to collect them resulted in loss to the government.

There is also a need to establish accountability for that loss as prescribed under COA Circular No. 93-404 dated October 18, 1993. Under this Circular, the COA has prescribed strict measures in case of losses of documents evidencing financial transactions and/or records of accountabilities. It required that write-off of accountabilities on the alleged ground of loss of documents is considered only after an investigation is conducted to determine the persons responsible for the loss and hold them liable.

We recommended and Management agreed to create a task force to organize and analyze available pertinent documents to generate cash flow and minimize the impact of losses due to non-collection. We further recommend that Management determine the circumstances surrounding the losses of pertinent document and to pinpoint the officials responsible.

Management commented that since the assumption of the new Administrator, DBPSC has ceased to collect MWSS accounts receivables from customers, except for those big accounts, payments of which were in terms/tranches/promissory notes, and remits to MWSS.

We also recommended and Management informed us that they will immediately initiate the request for the write off of some of the accounts with supporting documents and forward the same to COA for approval.