

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

AUDIT OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/COMMENTS
1. Completed projects costing ₱2.50 billion were still carried in the books as Construction in Progress	<p>a. Reclassify to the appropriate Property, Plant and Equipment account the cost of all completed projects.</p> <p>b. Effect adjustments to the corresponding accumulated depreciation and depreciation expenses.</p>	<p>Partially implemented Reiterated in 2008.</p> <p>A total amount of ₱1.30B from various funds i.e. Fund 05, 75, 82 and 84 has been capitalized. The remaining balance is under reconciliation and others are for rectification and completion of documents.</p>
2. Prior year's depreciation amounting to ₱148.99 million was not recognized.	Reflect the prior year's depreciation.	<p>Fully implemented.</p> <p>Prior year's depreciation amounting to ₱148.99M was fully reflected in the books in March 2008 per JEV # 2008 - 03-3782.</p>
3. Prepayments and advances of ₱275.40 million still remained in the books of the main fund, Manila and Suburbs and the Foreign Assisted Projects, despite the fact that projects have already been completed.	<p>a. Recover the balances of advance payments from the contractors either thru refund or from their future claims.</p> <p>b. If recommendation (a) prove futile, initiate legal action if warranted by the circumstances.</p>	<p>Not implemented. Reiterated in 2008.</p> <p>Reconciliation of advances and pre-payments is on-going. For terminated contract with prepayment, Finance is following up the proposed filing of charges against the erring contractors with Engineer-ring, the Legal Department and MWSI to enforce collection.</p>
4. Variation orders for the project BNAQ-6 resulted in incurring unnecessary cost of ₱103.94 million.	<p>a. Hold accountable the officials responsible for recommending and approving the excess steel pipes without prejudice to the refund from the contractors.</p> <p>b. Immediately impose liquidated damages</p>	<p>Not implemented.</p> <p>In a letter dated May 7, 2008, the Engineering and Project Management Dep't (EPMD) had already submitted its reply to COA regarding its observation. Likewise, justifications were made on why there were excess steel pipes and no refund should</p>
<p>a. Excess steel pipes costing ₱43.09 million.</p> <p>b. Guarantee insurance amounting to ₱35.00 million allocated by</p>		

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<p>c. MWSS was without legal basis.</p> <p>d. Cost of various variation orders relative to Package 1, 2 and 4 of BNAQ-6 was excessive by ₱25.03 million.</p> <p>e. Liquidated damages for Package 1 estimated at ₱.606 million were not imposed.</p> <p>f. Project information signs relative to Package 1 and 4 costing ₱.219 million were not installed.</p>	<p>c. Demand for refund of excess payments to contractors.</p>	<p>be imposed to the contractor. All variation orders and works that require approval were approved by the Board of Trustees. Attached to the letter are the Board Resolutions on various approvals made. Copy of the letter is attached for reference.</p>
<p>5. Management incurred significant delays in Processing Time for STP-01 and did not submit the approved budget for the contract worth ₱405.52 million plus US \$3,825,734.</p>	<p>Conduct an inquiry why MWSS failed to submit the Approved Budget for the contract as well as complete set of approved plans / drawings.</p>	<p>Not implemented. Reiterated in 2008.</p> <p>Two letters were sent to COA Auditor dated November 5, 2007 and February 1, 2008 in reply to separate COA AOM dated Sept. 18, 2007 (AOM 2007-CO-10) and Jan. 11, 2008 (AOM 2008-CO-001). Both AOM's contained the same observations. Copies of the separate letters to COA are hereby attached.</p>
<p>6. Prior years' reconciling items totaling ₱37.36 million in the Bank Reconciliation Statements such as bank debit memos, bank credit memos and fund transfers remained unrecorded / unadjusted. Also one Cash in Bank account has a credit balance of ₱16.06 million, thus, casting doubt</p>	<p>a. Closely coordinate with the concerned banks for the production of the pertinent documents to facilitate the recording of reconciling items in the bank reconciliation statements.</p>	<p>Partially implemented.</p> <p>Status of 13 bank accounts:</p> <ul style="list-style-type: none"> • 9 – being reconciled • 1 – closed account • 2 – just started the reconciliation • 1 – on going reconciliation <p>Abnormal balance of cash amounting to ₱16.06 million was due to disparity of</p>

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on the fair presentation of the Cash in Bank account	b. Investigate the cause of the negative balance of ₱16.06 million.	recording and transfer of cash. Recording was made in Dec. 2007 while transfer was done in Jan. 2008 thus causing a credit balance. We have requested and reiterated for the unrecorded debit and credit memos from PNB but they cannot produce it until now. Based on COAs recommendation to use the bank statement in the absence of lost debit/credit memos, we are in the process of booking up and effecting the necessary adjustments for the said documents. So far, some of the reconciling items were already adjusted in February, 2008.
7. Financial benefits aggregating ₱37.78 million granted to MWSS officers and employees had no legal basis.	Stop the granting of financial benefits in line with AO 103	Not implemented. Reiterated in 2008. Bring this to the attention of Board of Trustees, the benefit having been given pursuant to a Board Resolution as per reply by Office of the Board dated June 12, 2008.
8. Receivable from MWSI for Raw Water totaling ₱34.84 million remained uncollected.	Enforce the immediate remittance of income from raw water collected by MWSI amounting to ₱34.84 million.	Reiterated in 2008. Management reiterated the remittance of this amount from MWSI. Discussion as to the manner of payment is undergoing.

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9. No. 2006-001 and the General Appropriations Act.	a. Comply with the provisions of COA Circular No. 2006-001 that the claim should be strictly on a reimbursable basis and should be supported with receipts and/or other documents evidencing the disbursements.	Rates being granted in the Discretionary Allowance are in pursuant to approved Board Resolutions.
10. Loans Payable-Foreign and Accrued interest was understated by ₱5.6 million and ₱4.4million, respectively.	a. Investigate the confirmation differences and if warranted prepare the necessary adjusting entry to correct the balance of loans payable; and b. Recognize completely all accruals of interest on loans.	Partially implemented. MWSS data on accrued interest expenses were based on updated payments made for the loans. For JBIC loans, MWSS has already made representations with the BTR on said loans, part of which will be requested as equity. Coordination is in progress.
11. The grant of Modified Grocery Incentive to MWSS-Corporate Office officials amounting to ₱11.70 million has no legal basis.	Adhere to the provisions of AO 103.	Not implemented. Reiterated in 2008. Bring this to the attention of the Board of Trustees, the benefit having been given pursuant to a Board Resolution as per reply by the Office of the Board dated June 12, 2008.
12. The monetization of leave credits amounting to ₱1.17 million was based on the monthly basic salary plus the Cost of Living Allowance (COLA) and Amelioration Allowance (AA) instead of the basic pay only.	a. Adhere to the provisions of the Philippine Civil Service Law with Omnibus rules Implementing Book of EO No. 292 and b. Refund the amount monetized in excess of their monthly basic rate in the total	Not implemented. The monetization of leave credits was made based on the integration of AA & COLA into the basic salary pursuant to the Supreme Court Decision on PPA vs. COA. A perusal of the Omnibus rules of leave defines monetization as payment in advance under prescribed limits and subject

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<p>13. MWSS sold a portion of its La Mesa Watershed Property to its employees in violation of Section 2, Article XII of the 1987 Philippine Constitution and without Presidential approval.</p>	<p>amount of at least ₱1.17 million.</p> <p>Submit the following:</p> <ul style="list-style-type: none"> 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-qualify and to bid for the Land Development; f. Resolution on award to R-II Builders; g. Notice of Award to R-II Builders; and 	<p>to specified terms and conditions of the money value of leave credits of an employee upon his request without actually going on leave. The definition of monetization does not prohibit the payment of monetization of leave credits computed based on the integration of 40% COLA and 10% AA.</p> <p>Not implemented.</p> <p>PMD is still securing legal opinion re: sale of property to MCMC and other related transactions and expenses within the authority of COA in a letter to Atty. Uy dated June 16, 2008.</p>

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	h. Status of amortized loans of officials and employees who availed of the loan.	
14. The amount of ₱2.00 million donated to the Municipality of General Nakar, Quezon was not in conformity with AO 103.	Stop payments of donations for CY 2008 unless MWSS can submit exemption from AO 103.	Management submitted Resolution No. 2007-054 dated March 8, 2007 authorizing P2.00 million donation to General Nakar, Quezon..
15. Representation and Transportation Allowance (RATA) were not in accordance with General Appropriations Act; Deduction of 50% of total Representation and Transportation (RATA) expenses were not correspondingly effected upon assignment of vehicles to officers enjoying RATA, resulting in an overpayment of ₱1.13 million.	Strictly follow the provisions of RATA in the GAA.	<p>Not implemented. Reiterated in 2008.</p> <p>LOI 27 is the legal basis in the grant of RATA and it does not delineate how much is the TA in the said grant.</p>
16. MWSS hired consultants whose duties were mere duplication of functions being performed by regular department/employees of the System; consultants received benefits for which they were not entitled; one consultant performed supervisory function over regular personnel of the Agency.	<p>a. Stop extending to the consultants the fringe benefits/allowances likewise being enjoyed by the regular employees of the System.</p> <p>b. Discontinue the services of the consultants whose duties are mere duplication of those performed by regular employees. Adhere to the provisions of the Civil Service Commission Memorandum Circular No. 5 s 1986,</p>	<p>Partially implemented. Reiterated in 2008.</p> <p>Bring this to the attention of the Board of Trustees, having been hired per Management recommendation.</p>

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17. The cost incurred in implementing program/projects and activities related to Gender and Development was not in accordance with Section 30 of the General Appropriations Act.	<p data-bbox="712 163 1016 394">that in no case should consultants be designated as an officer to exercise control or supervision over personnel in the hiring agency.</p> <p data-bbox="678 436 1016 562">a. Management should be guided by the provisions of the GAA plan.</p> <p data-bbox="678 604 1016 865">b. The preparation of the plans, budgets and accomplishments of GAD should be in accordance with the Joint Circular No. 2004-01 dated April 5, 2004.</p>	<p data-bbox="1070 436 1333 495">Not implemented. Reiterated in 2008.</p> <p data-bbox="1070 537 1382 600">To be implemented as recommended by COA.</p>