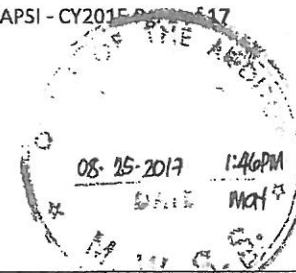


MWSS RO
AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION
 Audit Observations and Recommendations
 For Calendar Year 2016
 As of: August 16, 2017



Ref	Audit Observation	Audit Recommendation	Agency Action Plan					Reasons for Partial/Delay/Non-implementation, if applicable	Action Taken/Actions to be Taken	
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					From	To				
B. Financial Audit										
MWSS - REGULATORY OFFICE										
B.1 (COA AAR CY 2016) pp. 140- 141	The validity and accuracy of Accounts Payable – Vouchers Payable account (401-1) amounting to P1,791,530.97 as at year-end was found doubtful due to the inclusion of long outstanding payable totalling P281,320.34.	COA recommended and Management agreed to evaluate the validity of the accounts payable, existence of contract and determine if no actual claim, administrative or judicial has been filed. Otherwise, cause the cancellation of the obligation.		Admin. Dept.- Finance			Fully implemented		The claims in the amount of P27,899.88 were re-classified to “Retained Earnings” to record the cancellation of the payables. The claims in the amount of P253,420.46 were re-classified to “Due to Officers and Employees 403-2” and it will be processed again as soon as we receive written request for the release of the claims. The MWSS – RO has made the necessary adjustments under JV No. 01-17-001.	

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B.2. (COA AAR CY 2016) pp. 141-142	Over accrual amounting to P415,161.62 of Terminal Leave Benefits for CY2016 is contrary to Section 22 of Omnibus Rules on Leave.	COA recommended and Management agreed to consider the provisions set forth under the Omnibus Rules on Leave and Section 2 of PD 1445 as regards the accrual of terminal leave benefits.		Admin. Dept.- Finance			Fully implemented		The MWSS – RO has made the necessary adjustments under JV No. 02-017-012.
B.3 (COA AAR CY 2016) pp. 143	Un-reconciled Cash in Bank balance of P1,367,365.65 was included as part of Other Asset, thus affecting the accuracy of the accounts balances.	COA recommended and Management agreed to reverse the reclassification entry and reconcile the book and bank balances before proper adjustment can be effected	The Administration Dept. - Treasury concerned staff will continue to search for the records needed in the reconciliation of the unaccounted difference from 2000 to 2008 to finally close the remaining book balance of the PNB current account. Should we need to trace back from the original source documents, we will request information from MWSS-			12/2017	Partially implemented		The MWSS - RO has reversed the reclassification entry and has made the adjustment under JV No. 02-17-012.



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									<p>Accounting Manual (GAM) for NGAs (Volume 1), we understand that this rule was issued for the implementation of the NGAs. We were also informed that the GAM for Government-owned and Controlled Corporations (GOCCs) is now on its finalization stage. We request that the present Memorandum Receipt issued to all accountable officers and employees of the RO be converted to the "new Form" upon release of the GAM for GOCCs.</p> <p>The MWSS RO has provided additional security measures by installing 24/7 CCTVs, in addition to the security personnel, to secure the RO's properties located within the RO premises.</p> <p>The RO has started using the PAR form as prescribed for newly acquired PPE.</p>

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								Conversion of the old MRs is also ongoing.	
D. Compliance Audit									
MWSS - REGULATORY OFFICE									
D.1 (COA AAR CY 2016) pp. 171-172	Loans amounting to P25 million granted to MWSS-RO Cooperative for land development and house construction remained with the Cooperative in spite the non-realization/accomplishment of the project.”	COA recommended that Management take legal action against the MWSS-RO Multi-Purpose Cooperative to collect or ensure the refund of the seed money, including all accruing interest from CY2005 up to the present.	The MWSS RO shall provide an update as to the current status of the fund in compliance with the COA’s rejoinder.	Legal/ MWSS RO Cooperative		12/2017	Partially implemented The recommendation of a demand letter was an offshoot of the 2013 AOM directing the RO to take initial action to demand xxx for the return” of the seed money. The reply of the RO-Coop was that “there is a valid and subsisting agreement governing the seed money. The RO shares the same view. In effect, the demand was premature. Considering that the P25M was originally a “seed money,” if in the books of accounts of MWSS RO it was entered as “loan receivable”, for lack of a better entry classification, the said entry did not convert the same into a loan, in the legal sense (<i>mutum</i>). As seed money, the P25M was intended for the land development and house construction of the MWSS RO housing project, as MWSS BOT Resolution No.	The MWSS RO sent a letter to the Cooperative informing them of the AOM. It had a meeting with the Cooperative upon receipt of its comment/reply. The RO-Coop may look into other options of relocating the housing site. The Transfer Certificate of Title to the land is in the custody of the MWSS-RO.	

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								2005-135 directs. As seed, the P25M is an early investment, meant to support the RO-coop until it can collect cash amortization payments from the awardees of the housing units and eventually return the total amount. Even assuming <i>arguendo</i> that the same was a “loan” (<i>mutum</i>), there is no legal basis to impose interest charges since there was no written stipulation for interest. Today, the implementation of the RO housing project has been affected by the opposition of various environmental groups on account of another housing site situated at the upstream of the La Mesa Dam Watershed.	
D.2 (COA AAR CY 2016) pp. 172-176	The Petty Cash Fund (PCF) granted to the Special Disbursing Officer (SDO) amounting to P200,000.00 is in excess of the MWSS-RO’s monthly disbursement requirements pursuant to Section 4.3.1 of	The COA recommended and the Management agreed to: a. Reduce the PCF of the SDO in such amount necessary to cover petty expenses for one month pursuant to Section 4.3.1 of COA Circular No. 97-002;		Admin. Dept.- Accounting			Fully implemented		The MWSS RO has reduced the PCF from P200,000.00 to P75,000.00 based on the estimated average monthly expenditures

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	COA Circular No. 97-002, dated February 10, 1997; and P723,541.32 or 54.56% percent of total PCF expenses for the year pertained to meals, snacks and grocery expenses.”	b. Follow the guidelines set forth be COA Circular No. 96-004 dated 19 April 1997 in defraying travel expenses; and <							

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		charging from the PCF the meals, snacks and grocery expenses, including the travelling expenses and be guided by the provisions of COA Circular 2006-001 and COA Circular 96-004 otherwise, the same shall be disallowed in audit.					implemented	<p>with the provisions of the COA Circular Nos. 2006-001 and 96-004.</p> <p>The MWSS RO shall ensure compliance in the implementation of the guidelines on every expenditure defrayed from the PCF. In this connection, the following shall be followed:</p> <p>1. Meals/snacks, if absolutely necessary, during meetings or officially approved activities shall be subjected to a reasonable limit and shall be supported by: a) Notice of Meeting; b) Attendance Sheet with signature of attendees; and c) Official Receipts;</p> <p>2. Only travelling expenses for Toll fees, Parking fees and Public Transportation</p>	

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								incurred during official field operating activities may be allowed to be reimbursed from the PCF and will be classified as Misc. expenses.	
D.3 (COA AAR CY 2016) pp. 176	Receivables totaling P1,424,846.42 from separated/retired officers/employees representing Motor Vehicle Loans remained outstanding for more than 10 years	We recommend and Management agreed to finally take the appropriate legal action to recover the unpaid receivables from the remaining three employees in order to protect its interest and more importantly recover public funds.	The MWSS – RO will finally take the appropriate legal action to recover the unpaid receivables from the remaining three employees in order to protect its interest and more importantly recover public funds.	Legal Affairs Dept.			Fully Implemented	The MWSS RO sent its final demand letter to the concerned former officer/ employees last 25 May 2017. As of today, MWSS RO collected a total amount of P250,000.00 on 11 Aug. 2017, representing partial payment of the outstanding loan balance of P299K from former Trustee Amado Valdez.	
D.4. (COA AAR CY 2016) pp. 176-177	The Advances to UP National Engineering Center (NEC) in the amount of P5.967 million as at year end for the Public Assessment of Water	The COA recommended and Management agreed to demand from UP-NEC the immediate return/refund of the outstanding advances	The MWSS – RO shall follow-up collections as promised and inform UP-NEC as mentioned in the rejoinder.	Admin. Dept.- Accounting			Fully implemented	The MWSS RO sent a demand letter on 10 March 2017 (Annex A) to the UP NEC for the immediate refund/return of the outstanding	

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	Services Project (PAWS) remain unliquidated despite the project completion in CY2011	from the project. If no response is received, consider other legal remedies to enforce collection of the advances.							advances. The UP NEC acknowledged our demand and informed the RO through its letter dated 24 March 2017 (Annex B) that the UP Accounting Office has granted the release of half of the total unexpended or P1,035,206.62. The remaining balance will be released upon clearance by the UP-COA of their financial/liquidation report. MWSS RO received the amount of P 1,035,206.62 last 17 May 2017 representing half of the total unexpended advances. (please refer to CRJ May 2017)
D.5. (COA AAR CY 2016) pp. 177-178	The MWSS RO's GAD plans and budget of P1.095M representing 0.55 percent of its CY 2016 Corporate Operating Budget (COB) was not compliant with the	The COA recommended and Management agreed to: 1. Mainstream the Gender and Development (GAD) programs, activities and	The RO shall endeavour to mainstream the Gender and Development perspective in its current PAPs. It shall review its	GAD Committee			Fully implemented		MWSS RO GAD Committee conducted its Annual Planning

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	provisions under Sections 6 and 8 of PCW-NEDA-DBM Joint Circular No. 2012-01. Further, optimum use of GAD funds was not achieved because the planned activities were not full accomplished.	projects to the regular activities of the Corporation in order to attain the GAD budget minimum requirement of at least (5%) of the Corporation's approved COB; and 2. Revisit or improve the planning and implementation of MWSS-RO's GAD activities to achieve its intended objective	strategies during the GAD Planning Sessions to achieve the optimum utilization of the budgeted funds and to accomplish the planned activities during the ensuing year.				Fully implemented	and Budgeting cum Team Building last 6-8 June 2017 and reviewed/updated its 2017 Annual GAD Plan and prepared its 2018 GAD Annual Plan and Budget. The GAD Committee enhanced its Annual GAD Plan and Budget, schedule of series of activities, programs, and projects, in order to attain the GAD budget minimum requirement.	
D.6 (COA AAR CY 2016) pp. 178-182	Grant of Transportation Allowance (TA) totalling P183,750.00 to agency officials with assigned motor transportation in inconsistent with the pertinent provisions of DBM National Budget Circular NO. 548; and total proportionate amount of P46,062.84 was not deducted from the TA of 15 agency officials notwithstanding their frequent use of motor vehicles during the year, contrary to COA	The COA recommended that Management: a. Require the refund of the TA amounting to P183,750.00 paid to officials with assigned motor vehicles, pursuant to DBM National Budget Circular No. 548, otherwise, a notice of Disallowance shall be issued; and		Admin Dept.			Fully implemented	It is admitted that Memorandum Receipts (MRs) were signed for said vehicles by the two (2) identified officers. However, said MRs were executed for "accountability purposes", in compliance with COA Circular No. 80-124 (January 18, 1980), i.e., for the purpose of physical inventory-taking, as well as for pinpointing the accountable officer. Among others, COA Circular No. 80-124 requires that: "An officer or employee	MWSS RO has cancelled the MR's for the seven (7) vehicles issued to the concerned officers and transferred them to the "Ione" Property Officer. Hence, MWSS RO increased the Fidelity Bond of the Property Officer, who will assume the custody, control and accountability over

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	Circular No. 2000-005 dated October 4, 2000.							<p>who receives and is in actual possession or physical control of the property shall sign a Memorandum Receipt [Gen. Form No. 32] for such property and shall be accountable therefor." In addition, said MRs were also executed to assist the "lone" personnel in the Property Section of the Administration and Legal Affairs to manage and maximize the use and deployment of these vehicles.</p> <p>The MRs were never intended to "assign" said vehicles to the two (2) identified officers for their use or transportation in the context of the TA. It is settled that the TA is one of those which belong to a basket of allowances to defray expenses deemed unavoidable in the discharge of office (<i>See DBM vs. Leones</i>, G.R. No. 169726, 18 March 2010, citing <i>National Tobacco Administration vs. Commission on Audit</i>, 370 Phil. 793 [1999]). It is an allowance granted to government officials in "order to defray xxx transportation expenses while in the actual performance of the duties and responsibilities of their positions" (<i>See Department of Budget and Management National Budget Circular No. 548</i>, May 15, 2013 – Amended Rules and Regulations on the Grant of Representation and Transportation Allowances). The</p>	subject vehicles.

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								<p>MRs of the vehicles is not the "assignment" in the contemplation of COA Circular No. 2000-005.</p> <p>It is significant to point out that while the MRs are issued to the two (2) identified officers, records will bear it out that they are not actually and frequently using the vehicles on a daily and regular basis. These vehicles are actually used regularly for operation activities, such as water and waste water sampling, inspection of concessionaires' facilities and projects, attending to customer complaints, and shuttle service, among others. In compliance with Administrative Order No. 239 (15 September 2008), the use of vehicles is properly documented through the issuance of trip tickets, which are serially numbered and duly signed by an authorized official, where the names of the passengers are listed. Additionally, the names of the employees or officials riding in these vehicles are recorded in the record book of the security guard assigned in the RO parking area.</p> <p>Simply put, the MRs of the vehicles is not the "assignment" in the contemplation of COA Circular No. 2000-005.</p>	

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								<p>It is admitted that prior to the issuance of A.O. No. 239, RO used to assign, in the context of the TA, a vehicle each to the Regulators. This practice was discontinued in the advent of the said A.O. and the vehicles were pooled under the Property Section. The MRs were supposed to be signed for by the Property Section Chief for accountability but the manager of the Administration Department, Mrs. Octa, was designated as the officer held accountable for the five (5) vehicles since she has direct control and supervision over the former. As to the two (2) vehicles covered by MRs to Engr. Agustin, the said vehicles were dedicated for water and wastewater sampling, which were conducted under her control and supervision. With all the foregoing, we respectfully request the Resident Auditor to set aside the recommendation requiring the refund of the TA, amounting to P183,750.00, by the two (2) identified officers.</p> <p><u>Proportionate Reduction of the TA</u> Paragraphs 5 and 7 of the subject AOM identified fifteen (15) officials, as having “frequently” used motor vehicles of the RO, who were not deducted the total proportionate amount of</p>	

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								P46,062.84. We note that your formula in computing the “proportionate reduction” resulting to the recommended amount to be deducted per affected officer is contained in a footnote of the table found in paragraph 7 of the subject AOM, as follows: “proportionate amount computation: (monthly TA x No. of days the vehicle was used for the month) / 22 days”. Interpolating from the table, we observed that the proportionate reduction is around P430.62 per occurrence of use of a vehicle for the Chief Regulator, P409.09 for the Regulators, and P340.90 for the Department Managers, except for Ms. Ma. Sharlene P. Zausa (Ms. Zausa), which is P269.21 per occurrence. We also observed one entry under “Period used per approved trip ticket” that Engr. Jose Noel O. Dalistan used the Toyota Hi-Ace Grandia/SAA-3330 on January 25-29, 2016. The seeming implication is that he used the vehicle for five (5) straight days, or at the very least he had the vehicle under his control for five (5) straight days. Parenthetically, if the figure for Ms. Zausa is correct, then, there is now a patent disproportion among the Department Managers. Also, there would seem to be a disproportion as to the number	

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		b. Deduct from succeeding claims of TA the proportionate amount of P46,062.84 that should have been deducted from TA of the concerned officials who frequently used motor vehicles during the year, in line with Section 2.3 of COA Circular No. 2000-005, otherwise, a Notice of Disallowance shall be issued.						<p>of hours of use as between Jose Noel O. Dalistan and the other Department Managers.</p> <p>As stated above, we have an issue with the interpretation of "proportionate reduction". The matter is somewhat ambiguous since COA Circular No. 2000-005 merely states in general terms that a "proportionate reduction" shall be made without further details on how to compute the same. The subject AOM dealt with this matter by using the simplistic formula stated above, which did not make any distinction as to the number of hours of use, the distance travelled, and the number of passengers. These factors should at the very least be considered to arrive at a fair and reasonable amount.</p> <p>We have likewise examined DBM National Budget Circular No. 548. Section 7.2.3 thereof provides that an official, who is assigned a vehicle but is prevented from the use of a government vehicle for three (3) days or more, may be granted TA based on the table therein. For example, in case the official was unable to use the vehicle for 17 days and more, he /she is entitled to 100% of the monthly TA. We humbly submit that the same table can be applied in reverse to officials, who are not</p>	

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								<p>assigned vehicles. Thus, an official, who used a vehicle for two (2) days in a given month (22 workings days) should still be entitled to 100% of his/her monthly TA since this is similar to being prevented from the use of a government vehicle for 20 days. While an official, who used a vehicle for 21 days in a given month (22 workings days) should still be entitled to 25% of his/her monthly TA since this is similar to being prevented from the use of a government vehicle for 1 day.</p> <p>With all the foregoing, we respectfully request the Resident Auditor to set aside the recommendation requiring the deduction from succeeding claims of TA the proportionate amount of P46,062.84. Moreover, we request that the “proportionate computation of TA deductions” be applied prospectively to give the RO ample time to draft the guidelines for the proper computation, monitoring and recording of the same.</p>	

Agency Sign-off:


ATTY. PATRICK LESTER N. TY
 Chief Regulator
 MWSS Regulatory Office