

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Financial Audit – Corporate Office

Non-adoption of Philippine Public Sector Accounting Standards

1. **MWSS, being a Non-Government Business Entity (GBE), has not adopted the Philippine Public Sector Accounting Standards (PPSAS) as its applicable Financial Reporting Framework pursuant to COA Circular No. 2015-003 dated April 16, 2015, a material misstatement may arise from non-compliance.**

- 1.1 COA Circular No. 2015-003 dated April 16, 2015 lists the MWSS as among the GOCCs classified as Non-GBE.

COA Resolution No. 2014-003 dated January 24, 2014 prescribes the adoption of PPSAS by GOCCs which are Non-GBEs.

As defined under IPSAS 1 and as adopted under PPSAS, a GBE is an entity that has all the following characteristics:

- a. Is an entity with the power to contract in its own name;
- b. Has been assigned the financial and operational authority to carry on a business;
- c. Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;
- d. Is not reliant on continuing government funding to be going concern (other than purchases of output's at arm's length); and
- e. Is controlled by a public sector entity.

Non-GBEs shall refer to entities which do not meet all of the above characteristics.

- 1.2 The MWSS, in its letter dated October 24, 2016, requested for reclassification from Non-GBE to GBE asserting, among others, that,

“In the exercise of its power to set water tariffs under Section 3(h) – be it before or after the execution of its Concession Agreements on 1997 – MWSS has and continues to normally set water tariff for the cost of its services at full-cost recovery or reasonable profit in accordance with the parameters provided under Section 12, RA No. 6234.”

- 1.3 In the letter-reply dated June 14, 2017, this Commission denied the above request stating that:

“Section 3(h) of RA No. 6234 merely empowers MWSS to fix periodically water rates and sewerage service fees as the System may deem just and equitable. This function is clearly distinct from that of actual selling of goods and services in the normal course of business, which is no longer done by MWSS as this function was already transferred by MWSS to its concessionaires.”

- 1.4 In spite of the Commission's opinion/clarification on the matter, MWSS has not adopted the PPSAS as its financial reporting framework. Consequently, a material misstatement of the financial statements may arise for not complying with the requirements of the PPSAS.
- 1.5 **We recommended that Management adopt and implement the PPSAS as its financial reporting framework pursuant to COA Resolution No. 2014-003, COA Circular Nos. 2015-003 and 2017-004.**
- 1.6 Management commented that a request for reconsideration on the reclassification of MWSS from Non-GBE to GBE will be pursued, hence, the non-adoption of PPSAS.

Recognition and realization of Appraisal Capital Stock

2. **Recognition of the Appraisal Capital Stock with year-end balance of P28.428 billion due to revaluation of the MWSS properties in prior years and the realization of Appraisal Capital Stock to Retained Earnings totaling P7.955 billion were not in accordance with the Philippine Public Sector Accounting Standards (PPSAS).**
 - 2.1. This is a reiteration of the prior year audit observation as reported in the Annual Audit Report (AAR) for CY 2016 with our recommendation to prepare necessary reversal entries on the balance of Appraisal Capital Stock and the corresponding Property, Plant and Equipment (PPE) accounts.
 - 2.2. MWSS, being a Non-Government Business Entity (GBE), the following Philippine Application Guidance (PAGs) apply:
 - a. PAG 2 of PPSAS 17 covering PPE states:

“Paragraph 42 provides that an entity shall choose either the cost model or the revaluation model as its accounting policy, and shall apply that policy to an entire class of property, plant, and equipment.

*For consistency and uniformity, **the cost model shall be adopted for all classes of PPE.**”*
 - b. PAG 2 of PPSAS 16 covering Investment property states:

“Paragraph 39 permits the entity to choose between the fair value model and the cost model as accounting policies applicable to its investment property.”
 - 2.3. Section 7.5 of COA Circular No. 2017-004 dated December 13 2017 provides that,

“PAG 2 of PPSAS 17 provides that for consistency and uniformity, the cost model shall be adopted for all classes of PPE. Prior to the adoption of PPSAS, if a Non-GBE has adopted the revaluation model in the valuation of its PPE, the disposition of the Revaluation Surplus/Appraisal Capital Stock account shall be dealt with as a change in accounting policy as follows:

<i>Revaluation Surplus/Appraisal Capital Stock</i>	xxx
<i>Accumulated Depreciation-Appropriate PPE Account</i>	xxx
<i>Appropriate PPE Account</i>	xxx

To recognize the effect of the change in accounting policy as a result of adopting the cost model in the valuation of PPE.”

- 2.4. The MWSS revalued its Land as required under Philippine Accounting Standard (PAS) 16 and any changes in the carrying amount thereof is recorded under the account Appraisal Capital Stock. However, the same is contrary to PPSAS 17 which prescribes the cost model measurement for all PPE accounts.
- 2.5. As of December 31, 2017, the account Appraisal Capital Stock has a balance of P28,427,903,790. The continuous recognition of the Appraisal Capital Stock overstates various PPE accounts, as shown below:

Account Title	Amount
Land	P 12,205,095,286
Structures and Improvements	292,485,820
Collecting and Impounding Reservoirs	1,111,404,830
Supply Mains	3,097,555,968
Distribution Reservoirs and Booster Station	2,432,331,004
Buildings and Improvements	485,838,406
Wells and Facilities	76,762,346
Water Treatment Equipment	103,483,461
Sewer Treatment Equipment	4,192,576
Water Treatment Plant	126,236,850
Transmission and Distribution Mains	7,730,461,901
Water Meters	98,315,762
Transmission and Discharge Mains	482,090,989
Public Faucets/Sanitary Facilities	15,954,953
Sewer Treatment Plant and Pumping Stations	82,942,888
Hydrants	9,799,181
Manholes and Accessories	13,968,231
House Water Connection	8,177,984
House Sewer Connection	38,709,103
Electrical Installation and Lighting System	12,096,251
Total	P 28,427,903,790

- 2.6. Meanwhile, in CY 2014, adjustments were made in the Appraisal Capital Stock to recognize the revalued amount of the Land totaling P7,954,985,569 (net credit) based on the Asset Condition Report submitted by Topconsult in CY 2010, presented as compound entries below:

<i>PPE-Land</i>	<i>7,504,501,148</i>	
<i>Appraisal Capital Stock</i>		<i>7,504,501,148</i>
<i>Other Assets-Land</i>	<i>450,484,421</i>	
<i>Appraisal Capital Stock</i>		<i>450,484,421</i>

- 2.7. Likewise, prior to the prescription of the adoption of PPSAS for Non-GBEs, an audit observation on the non-realization of the Appraisal Capital Stock for all depreciable PPE and the erroneous recording of the adjustment on the appraised value of idle lands amounting to P450,484,421 were included in the MWSS AAR for CY 2015. We recommended that Management realize the Appraisal Capital

Stock in whole or in a piecemeal approach for all revalued assets and reverse the Appraisal Capital Stock account credited for idle lands to Retained Earnings.

- 2.8. Hence, in CY 2016, various adjustments were posted to comply with the above audit recommendation, presented as compound entry below:

<i>Appraisal Capital Stock</i>	<i>7,954,985,569</i>	
<i>Retained Earnings</i>		<i>7,954,985,569</i>

- 2.9. In line with the adoption of PPSAS for Non-GBEs, all classes of PPEs shall be measured at cost, thus recognition and realization of appraisal capital stock are no longer required under PPSAS 17.

- 2.10. **We reiterated our recommendation that Management:**

- a. **Make the necessary reversal of the balance of Appraisal Capital Stock and the corresponding PPE accounts as presented in the table detailing the year-end balance of Appraisal Capital Stock. Pro-forma entry as follows:**

Appraisal Capital Stock	28,427,903,790	
Various PPE account		28,427,903,790

- b. **Make the necessary correcting and reversal entries on the erroneous realization of Appraisal Capital Stock amounting to P7,504,501,148.**

Retained Earnings	7,504,501,148	
Land		7,504,501,148

- c. **Make the necessary reversal entry on the Retained Earnings realized from the valuation of the Investment Property.**

Retained Earnings	450,484,421	
Other Assets-Land		450,484,421

- 2.11. Management informed that they will request for a reconsideration on the reclassification of MWSS from Non-GBE to GBE, hence, the reversal cannot yet be effected.

<i>Property, Plant and Equipment (PPE) and Construction in Progress (CIP)</i>
--

3. **Lapses/deficiencies in a total amount of P4.540 billion were noted in the recording and disposal of PPE with year-end balance amounting to P44.229 billion, thus affecting the fair presentation of the accounts contrary to Philippine Public Sector Accounting Standards and Manual on Disposal of Government Property, to wit:**

Improperly recorded accounts totaling P2.225 billion

- a. **Seventy four (74) lots reported as not-in-service or for capital appreciation valued at P2.033 billion should be properly reclassified to Investment Property account at cost;**

- b. Completed projects with accumulated cost of P159.654 million remained recorded in the CIP account;
- c. 128 items of Paintings and Sculptures amounting to P0.537 million were recorded under the account Furniture and Fixtures instead of the appropriate Heritage Asset account;
- d. Six (6) items of Office Equipment totaling P11.141 million and seven (7) unserviceable General and Administrative Equipment (GAE) amounting P2.523 million were dropped from the books as semi-expendable properties, while 49 items of Furniture and Fixtures totaling P0.403 million deemed semi-expendable properties remained recorded under PPE account; and
- e. Disposed 16 motor vehicles transferred to the Local Government Units (LGUs) were still recorded under the account Motor Vehicles at P16.851 million and one (1) disposed motor vehicle was not recorded in the book even prior to transfer.

Unsupported accounts/adjustments

- f. Adjustments totaling P267.207 million pertaining to the land sold to National Waterworks and Sewerage Authority (NWSA) employees and Silhoutte Trading way back 2006 and 1983, respectively; and
- g. Non-inclusion of Other Structures, Project and Unserviceable GAEs, and nine (9) items of Office Buildings in CY 2017 Physical Inventory Report which were included in CY 2016 Physical Inventory Report.

Unreconciled variance between the records of Accounting Department and Property Management Department (PMD)

- h. Unaccounted disposed unserviceable motor vehicles and other transportation equipment amounting to P29.527 million;
- i. Discrepancies on the cost of 53 units of unserviceable assets sold in CY 2014;
- j. Net variance of P1.002 billion on GAE and P776.271 million on Land and Land rights; and
- k. Disposed units of Office Equipment per PMD's Inventory and Inspection Report of Unserviceable Properties (IIRUP) were 147 but only 137 units per Accounting records.

Unserviceable GAE costing P235.775 million remained undisposed resulting to further deterioration and decline in the value of the assets.

Various Office Buildings totaling P3.991 million were noted as no longer existing, and dilapidated.

- 3.1. MWSS is an asset based agency with PPE net book value of P44.229 billion equivalent to 99 percent of its total net worth of P44.623 billion.

- 3.2. The property included small-value GAE to complex and high-value government resources such as land and land rights, buildings and other structures and the largest among them were the service concession assets assigned to the concessionaires by virtue of the Concession Agreement entered into with Maynilad Water Services, Inc. (MWSI) and Manila Water Company, Inc. (MWC).

MWSS' PPE are broadly classified as follows:

- a. Allocated Assets or Service Concession Assets – These are assets assigned to the Concessionaires and Common-Purpose Facilities (CPF).
 - b. Retained Assets – These are assets retained by the MWSS at the start of the Concession.
- 3.3. The accounts PPE and CIP reported an ending balance of P44.229 billion and P0.759 billion, respectively, detailed as follows:

Account Title	Amount
Land	P 19,973,027,460
Office Buildings	179,597,753
Other Structures	23,851,100,343
General Administrative Equipment	225,140,521
Office Equipment	P 10,762,852
Furniture and Fixtures	798,380
IT Equipment and Software	15,547,557
Library Books	11,867
Communication Equipment	3,231,127
Construction and Heavy Equipment	46,928,288
Medical, Dental and Laboratory Equipment	7,304,231
Technical and Scientific Equipment	21,256,815
Other Machinery and Equipment	20,981,874
Motor Vehicles	7,011,850
Other Transportation Equipment	91,305,680
Sub-total PPE Accounts	44,228,866,077
Construction in Progress	759,296,700
Total	P 44,988,162,777

- 3.4. Analysis of the transactions pertaining to PPE and CIP as previously reported in prior years disclosed the following:

3.4.1. ***Improperly recorded accounts totaling P2.223 billion***

- a. ***74 lots reported as not-in-service or for capital appreciation valued at P2.033 billion to be reclassified to Investment Property account***

PPSAS 16 defined Investment Property as a property held for capital appreciation rather than for use in the ordinary course of business or for administrative purposes. It prescribes the cost model to be used for subsequent measurement of an Investment Property.

Physical Inventory Report for CY 2017 showed that 57 lots with total area of 1,909,542 sq.m. costing P2,021,442,600 were reported as Not-in-Service. Thirteen (13) were recorded as *PPE-Land* valued at P1,440,494,040 while 44 as *Other Assets-Land* costing P580,948,560.

Location	No. of Lots	Amount
Marikina City	2	P 20,685,080
Muntinlupa City	1	80,000,000
Pasig City	1	291,000
Quezon City	2	1,322,241,000
San Mateo, Rizal	7	17,276,960
Sub-total	13	1,440,494,040
Angono, Rizal	3	44,046,000
Antipolo, Rizal	10	5,693,480
Quezon City	6	510,450,000
Rodriguez, Rizal	8	883,880
San Juan City	6	4,217,690
Norzagaray, Bulacan	11	15,657,510
Sub-total	44	580,948,560
Grand Total	57	P 2,021,442,600

Likewise, apart from the above listed lots, 17 lots in Tanay, Rizal valued at P11,467,041 were recorded under *Other Assets-Land* which were held for purposes other than administrative and business purposes. These 17 lots were taken up in the Accounting books but not in the PMD Inventory Report.

Given that the 74 lots were not-in-service or lands being held by MWSS for purposes other than for use in the ordinary course of business or for administrative purposes, the same should be properly recognized as Investment Property pursuant to PPSAS 16.

We recommended that Management reclassify the 13 lots of land recorded under PPE-Land and 61 lots under Other Assets-Land to Investment Property account pursuant to PPSAS 16 measured at cost.

Management commented that the reclassification to the Investment Property is yet to be done pending procurement of a bigger server to accommodate the implementation of the revised chart of accounts.

b. Completed projects with accumulated cost of P159.654 million remained recorded in the CIP account

The CIP account with ending balance of P759,296,701 consists of projects financed thru foreign loans and accounted under various funds set-up for the purpose as follows:

Fund No.	Fund Name	Balance
Fund 77	Angat Water Supply Optimization Project	P 82,574,731
Fund 78	Manila Water South Distribution Project	3,103,585
Fund 82	Umiray Angat Transbasin Project	10,002,973
Fund 84	Manila Second Sewerage Project	2,478,440
Fund 90	New Water Sources Development Project	10,817,117
Fund 91	Manila Third Sewerage Project	50,677,422
Sub-total		159,654,268
Fund 05	Corporate Fund	599,642,433
Grand Total		P 759,296,701

As reported in CY 2016 Annual Audit Report, the above listed six projects with total accumulated cost of P159.654 million were already completed since 2002 to 2009. Likewise, verification of the MWSS' Report on Programs/Projects/Activities showed that the same were no longer reported as on-going projects as of December 31, 2017.

The completed projects should have been reclassified to its appropriate PPE account and depreciated accordingly, thus, resulted in the overstatement of the total assets and Retained Earnings for the unrecognized depreciation expenses.

We reiterated our recommendations and Management agreed to review and analyze the cost of completed projects and make the necessary reclassification to their appropriate PPE accounts supported with Certificate of Completion and Acceptance and compute the accumulated depreciation from the year of project completion.

- c. ***128 items of Paintings and Sculptures amounting to P0.537 million to be reclassified to the appropriate Heritage Asset account***

PPSAS 17 describes some assets as heritage assets because of their cultural, environmental, or historical significance. Examples of heritage assets include historical buildings and monuments, archaeological sites, conservation areas and nature reserves, and works of art.

Analysis of the Furniture and Fixtures subsidiary ledgers revealed that 108 paintings and 20 sculptures with carrying amount P475,000 and P61,800, respectively, were recorded under the *Furniture and Fixtures* account instead of the appropriate *Heritage Asset* account.

We recommended that Management reclassify the 108 Paintings and 20 Sculpture to the appropriate Heritage Asset account pursuant to PPSAS 17.

Management commented that the paintings will have to be assessed by an expert before reclassification can be effected. The old paintings should be declared as done by National Artists of the Philippines, and should be registered in the Philippine Registry of Cultural Property of the National Museum pursuant to IRR of RA 10066. As soon as these requirements are done and established, reclassification to appropriate Heritage Asset account will be acted upon.

- d. ***Six (6) items of Office Equipment totaling P11.141 million and seven (7) unserviceable GAEs amounting P2.523 million were dropped from the books as semi-expendable properties while 49 items of Furniture and Fixtures totaling P0.403 million deemed semi-expendable properties remained recorded under PPE account***

Section 7 of COA Circular No. 2017-004 prescribing Guidelines on the Implementation of PPSAS by Government Corporations classified as Non-Government Business Enterprises states that, "xxx tangible items

below the capitalization threshold of P15,000 shall be regarded as semi-expendable property and shall be recognized as expense upon issuance to the end-user.”

Examination of the subsidiary ledgers and schedules disclosed that six (6) items of Office Equipment totaling P11.141 million and seven (7) unserviceable GAEs totaling P2.522 million were erroneously dropped from the books as semi-expendable property although the cost of each item is more than the capitalization threshold of P15,000.

Description		Cost
<i>Office Equipment</i>		
1	Printer Laser, Hewlett Packard, Laserjet 4L	P 20,075
2	40% Prototype Application for Customer Servicing System per PB-05-92 (Integrated Implementation of MWSS Info System Plan)	11,049,867
3	DOT Matrix Printer Brother	17,370
4	Bundy Clock – Amano	17,930
5	Standard Manual Typewriter – Triumph VPR	18,715
6	Koppel Package Air Conditioner M3T VPR	16,950
Sub-total		11,140,907
<i>Unserviceable GAEs</i>		
1	Tapping machine set mueller	995,000
2	Tractor mini Hinomoto	82,000
3	Chain Hoist, Electric, 3 Tons	58,975
4	Pavement Breaker, Maruzen	25,320
5	Cutting Machine, Power Operated, Uchida, Guillot	61,000
6	SV MITSUBISHI L-300 VAN 1996/G UJB-246	540,000
7	SV Nissan Pathfinder 1994/G TSY-350	760,000
Sub-total		2,522,295
Grand Total		P 13,663,202

On the other hand, 49 items of Furniture and Fixtures totaling P403,083 with individual cost of below P15,000 remained recorded under PPE account which should have been dropped from the books as semi-expendable property.

Description	Quantity	Unit Cost	Amount
Conference Table, Modular	1	12,099.56	P 12,100
Meeting Table, Modular	1	8,153.14	8,153
Seatmatic I, with arms Modular	1	3,955.14	3,955
Guest Chair, Modular	1	7,977.46	7,977
Conference Chair, Modular	6	12,489.81	74,939
Conference Chair, Modular	8	12,702.85	101,623
Executive Chair	1	13,237.96	13,238
Guest Chair, Modular	1	7,977.46	7,977
Guest Chair, Modular	4	7,889.62	31,558
Seatmatic I, w/ arms. Modular	1	3,955.14	3,955
Mobile Pedestal	3	341.5	1,025
Luxus Single-seater Sofa w/o arms	4	11,368.75	45,475
Mobile Pedestal	2	4,538.39	9,077
Executive Chair, High Back, Leather made	5	11,183.03	55,915
Visitors Chair, L-Shape, with arm rest, leatherette	10	2,611.61	26,116
Total	49		P 403,083

We recommended and Management agreed to prepare necessary adjustment on the Retained Earnings account to drop the 49 items of semi-expendable property from the books and conversely, revert the entries made to drop the six (6) items of Office Equipment and seven (7) unserviceable GAEs.

- e. *Disposed 16 motor vehicles transferred to the Local Government Units (LGUs) were still recorded under the account Motor Vehicles at P16.851 million and one (1) disposed motor vehicle was not recorded in the book even prior to transfer*

Management disposed six (6) vehicles thru transfer to the Municipality of San Juan, Batangas and 11 vehicles to the Municipality of Calasiao, Pangasinan which were duly acknowledged by the LGUs thru their Resolution. Details are:

Motor Vehicles	Plate No.	Municipality	Cost
1. Isuzu Fuego 2 Cab Pick-up	SFV 195	San Juan,	P 630,000
2. Isuzu Fuego 2 Cab Pick-up	SFV 265	Batangas	630,000
3. Isuzu Fuego 2 Cab Pick-up	SFV 214		630,000
4. Isuzu Fuego 2 Cab Pick-up	SFV 216		630,000
5. Isuzu NKR Light Truck	SFV 788		941,750
6. Toyota Hi-Ace Van	SEG 839		No data
Sub-total			3,461,750
7. Isuzu Fuego 2 Cab Pick-up	SFV 266	Calasiao,	630,000
8. Isuzu Fuego 2 Cab Pick-up	SFV 244	Pangasinan	630,000
9. Isuzu Fuego 2 Cab Pick-up	SFV 194		630,000
10. Isuzu NPR Light Truck	SFU 846		659,500
11. Isuzu NPR Light Truck with crane	SFV 119		1,185,050
12. Mitsubishi Fuso	SFW 914		9,328,271
13. Honda TMX Motorcycle	TR 2772		65,250
14. Honda TMX Motorcycle	TR 2774		65,250
15. Honda TMX Motorcycle	TR 2670		65,250
16. Honda TMX Motorcycle	TR 2679		65,250
17. Honda TMX Motorcycle	TR 2764		65,250
Sub-total			13,389,071
Grand total			P 16,850,821

Verification of the accounting records however disclosed that 16 of the above listed disposed vehicles totaling P16,850,821 were still recorded in the books, except for Toyota Hi-Ace Van with plate no. SEG 839 which was not recorded even prior to transfer.

We recommended that Management derecognize from the books the 16 Motor Vehicles transferred to the LGUs and explain why the Toyota Hi-Ace Van with plate no. SEG 839 that was transferred to the Municipality of San Juan, Batangas was not recorded in the books even prior to the transfer.

Management commented that all necessary documents for the dropping of the 16 motor vehicles were secured and the Finance Department is still in the process of locating the record of the Toyota Hi-Ace Van.

There is no record made in the books prior to the transfer due to lack of documentation to support the record.

As a rejoinder, submit the necessary documents to substantiate the dropping from the books the soonest.

3.4.2. ***Unsupported account/adjustments (as reiterated from prior year)***

f. ***Adjustments totaling P267.207 million on the land sold to National Waterworks and Sewerage Authority (NWSA) employees and Silhoutte Trading***

This pertained to the validity of adjustments made in dropping from the books of the sold land which were not established/validated due to inadequate documentation, discussed as follows:

On the P228.176 million adjustment

In CY 2006, a 580,000 sq.m. land with Transfer Certificate of Title (TCT) No. 61126 was sold to NWSA employees for a total amount of P3,091,400, based on the Supreme Court Decision G.R. No. L-33535 dated January 17, 1975 and evidenced by a Deed of Absolute Sale executed on February 25, 2006.

Per JEV No. 2013-12-005604, an adjustment of P228,175,760 in the value of land was taken up in the books representing the excess of the book value of P231,267,160 over its selling price of P3,091,400. The adjustment was made by debiting the Appraisal Capital Stock and crediting Land. However, the validity and accuracy of the adjustment was not verified due to lack of supporting documents to establish the appraisal value of P231,267,160 from which the adjustment was made.

The subsidiary ledger Land-Quezon City, New TCT 61126, Lot#1, Lot area 580,000 sq.m. (201-01-01-13-61126) reflects only a carrying value P3,091,400 as of December 31, 2017.

On the P39.032 million adjustment

The CY 2013 audit showed discrepancies in the remaining land area between the Accounting records and Property Management Department records, after the sale of Land, under TCT No. 36069, to Silhouette Trading in CY 1983.

Partial reconciliation showed a difference of 29,251,966 sq. m. between the accounting records and Appraisal Report in CY 1976. Management mentioned that there were typographical errors in the encoding of the Land area resulting in the overstatement of the accounting books, as summarized as follows:

Subsidiary Ledger No./ Property No.	Area per books (sq.m.)	Area per Appraisal Report (sq.m.)	Discrepancy (sq.m.)
201-01-01-13-36069A	25,402,840	254,028	25,148,812
201-01-01-13-36069E	3,743,320	37,433	3,705,887
201-01-01-13-36069F	363,360	3,634	359,726
201-01-01-13-36069G	37,920	380	37,541
Total	29,547,440	295,475	29,251,966

The reason of these discrepancies were due to typographical error only but was not accepted in audit without valid proof of the correctness of the land area which can be determined only thru survey of the land and/or copies of titles or tax declaration.

Notwithstanding the issue on unreconciled discrepancies, an adjustment of P39,031,614 was effected by debiting Retained Earnings and crediting Land per JEV No. 2014-12-004950.

The Land Registration Authority, in its letter dated March 8, 2018, advised the MWSS to request the assistance of the DENR–Land Management Bureau (LMB) on the actual area of the land under TCT No. 36069 since the Consolidation-Subdivision Plan PCS-13 and Marinquina Estate which pertains to the subject land were DENR-LMB approved plans.

We recommended and Management agreed to:

- a. On the adjustment amounting to P228.176 million,**
 - i. Submit proof of appraisal in previous years pertaining to the land under TCT No. 61126; and**
 - ii. Prepare the necessary and appropriate adjustments to derecognize the carrying value of the land under TCT No. 61126 sold in CY 2006.**
- b. On the adjustment amounting to P39.032 million,**
 - i. Secure from the appropriate Government Agency information on the actual land area to establish the correct total land area sold to Silhouette Trading; and**
 - ii. Submit proof of valuation of the land under TCT No. 36069 to corroborate the erroneous measurement recognized in the books once proven that there was typographical error in the land area. Thereafter, analyze the transaction and prepare the necessary adjustments.**

Management commented that they already requested copies of Consolidation-Subdivision Plan-Pcs 13, as well as the respective lot data computation which encompasses TCT No. 36069, from the DENR-LMB in Binondo, Manila.

g. ***Non-inclusion of Other Structures, Project and Unserviceable GAEs, and nine (9) items of Office Buildings in CY 2017 Physical Inventory Report***

Examination of the CY 2017 Inventory Report disclosed that Other Structure Assets, and Project and Unserviceable GAEs were not included in the results of the inventory-taking.

Likewise, nine (9) items of Office Buildings totaling P6.669 million as reported in the previous year's Inventory Report were not included in this year's report, as follows:

Property No.	Description	Cost
211-01-01-07-1-OF&BL-01-00001	1-B107N-00010 Bodega (Formerly La Mesa Coop Store) HC-7,881.15	P 2,366,000
211-01-01-07-1-OF&BL-01-00002	1-B107N-00013 Cottage Bungalow (2 Units) HC-7,624.37	7,624
211-01-01-07-1-OF&BL-01-00003	1-B107N-00014 Barracks HC-12,802.15	12,802
211-01-01-07-1-OF&BL-01-00004	1-B107N-00016 Bachelor's Quarter near East Gate (N. A.) HC-7,697.76	7,698
211-01-01-07-1-OF&BL-01-00005	1-B107N-00017 Cottage Bungalow nr Main Gate - 2 Units HC-12,169.99	12,170
211-01-01-07-1-OF&BL-01-00006	1-B107N-00018 Old Guests Hse 2 Sty. (Pav L Mesa-Chief of Off) "Quirino-Admin's Guest House" HC-12,952.21	3,882,000
211-01-01-07-1-OF&BL-01-00007	1-B107N-00018a Additional Cost for Old Guests Hse 2 Sty. (Pav L Mesa-Chief of Off) "Quirino-Admin's Guest Hse" HC- 1,200.00	360,000
211-01-01-08-1-OF&BL-01-00001	1-B107N-00009 Bodega - Ipo Headworks HC-17,079.05	17,079
211-01-01-10-1-OF&BL-01-00002	1-B107N-00094 Bodega for Dynamite (Bicti Norzagaray) HC-3,210.00	3,210
Total		P 6,668,583

It could be inferred that the above listed Office Buildings were dropped from the Inventory Report since the same were not recognized in the Accounting records. However, the PMD cannot just drop these items in its records without justification and supporting documents.

We recommended that Management require the accounting officer to reconcile records with the PMD records for proper monitoring and timely update on the movement of MWSS properties.

Management commented that they will submit the documents that are not yet submitted should there be any.

3.4.3. **Unreconciled Variance between Accounting and PMD records**

h. **Unaccounted disposed unserviceable motor vehicles and other transportation equipment amounting to P29.527 million**

As reported in CY 2016 Annual Audit Report, a discrepancy of P29,526,663 was noted between PMD and Accounting records on the disposal/sale of various unserviceable motor vehicles and other transportation equipment. The PMD reported P107,551,580 unserviceable GAEs that have been disposed while the accounting records showed P78,024,917 only.

We recommended that Management reconcile the records between the Accounting and Property Management Departments to examine the discrepancy on the disposal/sale of the unaccounted unserviceable GAE totaling P29,526,663 and make the necessary adjustments.

i. **Discrepancies on the cost of 53 units of unserviceable assets sold in CY 2014**

Section J, Part III, of NBC 425 or the Manual on Disposal of Government Property provides that, “xxx. *Negotiation within one (1) month from the date of the second failed bidding shall be done xxx at a price not lower than 80% of the appraised value.*”

The reasonableness of the negotiated price of the 53 units of unserviceable vehicles sold in CY 2014 in the amount of P2,421,241 as supported by JEV No. 2014-09-004219 was not ascertained due to the absence of justification on the further reduction of negotiated price to lower than 80 percent of the appraised value of P3,781,627 after failure of two (2) public biddings held on July 8 and 30, 2014 which is not in accordance with the aforementioned provision.

Also, there was no reconciliation on the noted discrepancy in the unit costs of the 49 unserviceable vehicles out of 53 sold in CY 2014 which resulted in over/understatement in the recognition of gain or loss on disposal and the cost and related depreciation charges when dropped from the books. Details are shown below:

Particulars	Unit Cost			Units Sold	Total Variance
	Per Finance	Per PMD	Variance		
KIA Ceres Panoramic	P420,909	P(1,010,182)	P(42,091)	24	P(1,010,182)
Nissan ADMAX Panel	450,818	395,455	15,818	25	395,455
KIA Ceres Sewer	685,725	685,725	0	4	0
Total				53	P (614,727)

We recommended that Management:

- a. **Submit justification on the negotiated price for the sale of unserviceable vehicles that was lower than 80 percent of the appraised value which is not in accordance with the Manual on Disposal of Government; and**
- b. **Reconcile the records of Finance and Property Management Departments on the sold 53 units of unserviceable vehicles and make the necessary adjustments.**

No Management comment was received.

- j. ***Net variance of P1.002 billion on General and Administrative Equipment and P776.271 million on Land and Land rights***

COA Circular No. 80-124 re: Inventory of Fixed Assets of Government Owned and/or Controlled Corporations states that physical inventory-taking is an indispensable procedure for checking the integrity of property custodianship and it should be regularly enforced. The responsibility and accountability to exercise the ordinary diligence to prevent the incurrence of loss of government property is vested with the head of agency. It also includes the guidelines for inventory-taking stating that the inventory report shall be properly reconciled with the accounting records.

The Inventory Report for CY 2017 showed net variance amounting to P1.002 billion with the Accounting records, broken down as follows:

Account Name	Account Balances		
	Per PMD Report	Per Accounting Records	Variance
Communication Equipment	P 1,092,004	P 40,939,306	P 39,847,301
Construction and Heavy Equipment	947,360	268,265,036	267,317,676
Furniture and Fixtures	11,443,692	2,031,568	(9,412,124)
IT Equipment and Software	11,406,257	120,960,621	109,554,364
Library Books	231,692	54,375	(177,317)
Medical, Dental and Laboratory Equipment	707,486	57,020,907	56,313,421
Motor Vehicles	26,730,632	58,392,759	31,662,127
Office Equipment	2,108,949	105,704,552	103,595,603
Other Machineries and Equipment	2,784,907	174,593,404	171,808,497
Technical and Scientific Equipment	12,102,155	211,755,103	199,652,949
Water Craft	26,730,632	58,392,759	31,662,127
Total	P 96,285,766	P 1,098,110,390	P1,001,824,624

These variances may be attributable to the following:

- a. Non-reconciliation of the Accounting records with the PMD reports, as evidenced by the absence of signature of any member of the Finance Department in the physical inventory report.
- b. The Inventory Report on GAE does not include various Project GAE as compared to the previous year's Report with a total amount of P1,782,214,823; and
- c. A total of 3,637 items of GAE amounting to P10,823,471 were recorded as PPE in the Inventory Report but were already dropped from the books of account as semi-expendable properties, as follows:

Category	Quantity	Amount
Turned over to MWSI	423	P 1,012,845
Turned over to MWCI	377	1,047,928
Old New GAE	2,837	8,762,698
Total	3,637	P 10,823,471

The Inventory Report for CY 2017 included 49 lots recognized in the Accounting records but not in the PMD report. 32 were recorded under PPE-Land amounting to P764,804,098 and 17 were recognized as Other Assets-Land with a total cost of P11,467,041.

Location	No. of Lots	Cost
<i>Recorded as PPE-Land</i>		
Caloocan City	15	P 501,248,374
Manila	3	20,062,937
Montalban, Rizal	1	30,574,809
Quezon City	10	171,785,019
San Juan, Rizal	2	40,878,597
San Rafael, Bulacan	1	254,362
Sub-total	32	764,804,098
<i>Recorded as Other Assets-Land</i>		
Tanay, Rizal	17	11,467,041
Grand Total	49	P 776,271,139

On the other hand, 71 lots with total area of 1,842,072 sq.m. were included in the PMD records but not recorded in the accounting books.

Location	No. of Lots	Area (sq.m.)
La Mesa	11	1,049,589.65
Tanay, Rizal (Kaliwa Watershed)	7	484,384.00
Land Comprising the Balara Complex	2	25,478.00
Land Comprising the Ipo-Novaliches Road	2	44,456.00
Manila	9	20,644.90
San Juan City	11	116,664.00
Lands Transferred to the Joint Venture	1	34,979.00
Caloocan City	5	17,590.00
Quezon City	18	35,293.90
San Mateo, Rizal	1	48.00

Makati City	1	10,190.00
Mandaluyong/Pasig City	2	2,658.00
Marikina City	1	97.00
Total	71	1,842,072.45

We recommended that Management reconcile the noted variances between the records of Accounting and Property Management Departments in accordance with COA Circular No. 80-124 and effect necessary adjustments.

Management commented the following:

- a. The significant amount of discrepancies on GAEs may be due to the unsubmitted Inventory Report on Project GAEs as mentioned above. Nevertheless, the Finance Department will check with the PMD on the said submission to reconcile the records; and
 - b. The Finance Department recognizes the ownership of the 71 lots of land and land rights but the cost cannot be measured reliably, thus, cannot be recorded in the books pending determination of the fair market value of the property, which the PMD will have to work on.
- k. ***Disposed units of Office Equipment per PMD's Inventory and Inspection Report were 147 but only 137 units per Accounting records***

The number of Office Equipment disposed per PMD's IIRUP was 147 units, however per JEV No. 2017-12-004677, the disposed units was only 137 including the unreconciled accounts. The said unreconciled disposed Office Equipment amounted to P4,911,683.79 with net book value of P491,168.38 representing 74 percent of the total disposed Office Equipment.

Further verification revealed that the disposed units were not accurately identified in the Accounting records.

We recommended that Management explain the discrepancy in the number of units of disposed Office Equipment between the Accounting Records and PMD's IIRUP, and the process used to reconcile the account with net book value of P491,168.38.

3.4.4. ***Unserviceable GAE costing P235.775 million remained undisposed resulting to further deterioration and decline in the value of the assets***

Section A, Part I of NBC 425 or the Manual on Disposal of Government Property provides that, "xxx the disposal proceedings on the unserviceable property should be immediately initiated to avoid further deterioration of the property and consequent depreciation in its value."

Of the unserviceable GAEs totaling P243,671,580 as shown in the CY 2016 Report on Physical Inventory Taking, only P7,896,621 or 3.24 percent were disposed, thereby leaving a balance of P235,774,959 as of to date.

Unserviceable GAEs as of CY 2016	Amount
Turned Over old GAE by MWSI	P 213,395
Turned Over old GAE by MWCI	1,077,000
MWSS Unserviceable old GAE	1,300,000
Turned Over Project GAE by MWSI	133,280,689
Turned Over Project GAE by MWCI	107,800,496
Total Unserviceable GAE as of CY 2016	243,671,580
Disposed in CY 2017	(7,896,621)
Total Undisposed Unserviceable GAE in CY 2017	P 235,774,959

The net book value of the unserviceable assets disposed of is P789,662, while the proceeds of sale therefrom amounted to P390,601 or 49.46 percent, resulting in Loss on Sale of Disposed Assets of P399,061.

We appreciate the continuing efforts of the Management to dispose its unserviceable properties. However, had the Management observed timely disposal as provided in NBC No. 425, further deterioration of these assets could have been prevented and additional income generated.

We recommended that Management establish an effective and efficient means to cause the immediate disposal through public auction of all unserviceable properties and prioritize those assets still recorded in the books to avoid further deterioration and decline in value of the subject assets and generate additional funds for the Agency.

Management commented that due to lack of personnel brought about by the on-going reorganization, the timely disposal of unserviceable properties cannot be continuously pursued.

3.4.5. Office Buildings totaling P3.991 million noted as no longer existing and dilapidated

CY 2017 Inventory Report showed that 41 items of Office Buildings with net book value of P3.991 million were missing, abandoned, dilapidated and not-in-service, thus, the validity and existence of the PPE year-end balance in the Accounting records was doubtful, as follows:

Status	No. of Items	Net Book Value
Not existing	28	P 2,796,023
Dilapidated	13	1,195,420
Total	41	P 3,991,443

Due to the absence of Inventory Report for Other Structures for CY 2017, as mentioned in paragraph 3.4.2.g of herein report, a significant decrease of 512 items totaling P1.120 billion from previous year's balance of P1.124 billion was noted, as follows:

Status	No. of Items	Net Book Value
Not existing	222	P 67,213,302
Abandoned	7	314,168,333
Dilapidated	18	5,390,924
Not-in-service	265	733,568,687
Total	512	P 1,120,341,246

We recommended that Management:

- a. **Submit an agency plan to utilize the properties which were found not-in-service and abandoned to generate income to the agency; and**
- b. **Explain the various items of PPE which cannot be located/missing.**

Management commented that they will discuss and work on the agency plan and until such time that sufficient documents are available to support the entries in the books for the dropping of the assets that are no longer existing, dilapidated, abandoned and not-in-service, said assets cannot be given due course. PMD and Finance Department will resolve the issue as soon as available personnel to do the job are hired.

Non-reclassification of turned-over MWSS properties as Service Concession Assets

4. **Turned-over MWSS properties to the two Concessionaires amounting to P67.280 billion per Inventory Report, upon privatization in CY 1997, were not reclassified as Service Concession Assets in accordance with the Philippine Public Sector Accounting Standards (PPSAS) 32.**

Also, subsequent construction, development, acquisition, and upgrade of the service concession assets were not accounted for in the MWSS books.

- 4.1. PPSAS 32 on Service Concession Arrangement: Grantor, prescribes the accounting for service concession arrangements by the grantor, a public sector entity. Relevant discussions in IPSAS 32 as adopted under PPSAS 32 are as follows:

- 4.1.1. A *service concession arrangement* is a binding arrangement between a grantor and an operator in which:

- a. The operator uses the service concession asset to provide a public service on behalf of the grantor for a specified period of time; and
- b. The operator is compensated for its services over the period of the service concession arrangement.

- 4.1.2. A *service concession asset* is an asset used to provide public services in a service concession arrangement that:

- a. Is provided by the operator which the operator constructs, develops, or acquires from a third party; or an existing asset of the operator; or
- b. Is provided by the grantor which is an existing asset of the grantor; or an upgrade to an existing asset of the grantor.

- 4.1.3. The grantor shall recognize an asset provided by the operator and an upgrade to an existing asset of the grantor as a service concession asset if:

- a. The grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
 - b. The grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the term of the arrangement.
- 4.1.4. Likewise, where an existing asset of the grantor meets the abovementioned conditions, the grantor shall reclassify the existing asset as a service concession asset. The reclassified service concession asset shall be accounted for in accordance with PPSAS 17 or PPSAS 31, as appropriate.
- 4.1.5. The grantor shall also recognize a liability which shall be initially measured at the same amount as the measurement of the service concession asset.
 - a. The *Grant of Right to the Operator Model* states that when the grantor does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the grantor shall account for the liability as the unearned portion of the revenue arising from the exchange of assets between the grantor and the operator. The grantor shall recognize revenue and reduce the liability according to the economic substance of the service concession arrangement.
- 4.2. On February 21, 1997, the MWSS' operations were privatized thru execution of the Concession Agreement with the Concessionaires namely: Manila Water Company, Inc. (MWCI) and Maynilad Water Services, Inc. (MWSI).
- 4.3. Upon privatization, MWSS granted to its Concessionaires the right to manage, operate, repair, decommission and refurbish the facilities in the Service Area. The Concessionaires are being compensated by granting them the right to bill and collect for water and sewerage services supplied in the Service Area. Thus, under PPSAS 32, the *Grant of Right to the Operator Model* is to be used recognizing and measuring the liabilities for the *Service Concession Arrangement*.
- 4.4. Also, MWSS turned-over to its concessionaires various assets of substantial value to be utilized in the continuous operation of the water distribution to the consumers. These are existing assets provided by MWSS as a grantor, thus forming part of the *Service Concession Assets*.
- 4.5. Analysis of the PPE account however, disclosed that various turned-over assets to MWCI and MWSI were not reclassified as Service Concession Assets, and, not separately accounted for as the other assets under the PPE account. These Service Concession Assets amounted to P67.279 billion based on the Inventory Reports for CY 2016 and 2017 of the PMD, subject to reconciliation with the Accounting records, as follows:

Account Title	Cost			
	CPF	MWSI	MWCI	Total
Land	P 575,238,055	P 1,455,804,963	P 4,789,822,900	P 6,820,865,918
Other Structures	7,191,520,642	31,195,411,153	19,951,246,084	58,338,177,880

Office Building	18,479,000	151,504,718	153,118,490	323,102,207
GAE	0	813,878,594	983,631,240	1,797,509,834
Total	P 7,785,237,697	P 33,616,599,428	P 25,877,818,714	P 67,279,655,839

4.6. Moreover, all subsequent construction, development, acquisition, or upgrade of the service concession assets after the privatization were not recorded in the MWSS books resulting in the understatement of the said asset, like the total cost of unrecorded subsequent changes, net of accumulated depreciation accounted under cost model. Consequently, no liability and revenue were recognized as prescribed under the *Grant of Right to the Operator Model*.

4.7. **We recommended that Management:**

- a. **Reconcile the PMD and Finance records and correctly identify the turned-over assets to MWSI and MWCI then reclassify to Service Concession Asset account accordingly; and**
- b. **Coordinate with MWSI and MWCI to properly account all subsequent cost incurred pertaining to the service concession assets and recognize the same in the MWSS books including the corresponding liability and revenue under the Grant of Right to the Operator Model.**

4.8. Management commented that the establishment of guidelines with the Concessionaires with regard to the Concession Assets was discussed in a meeting with the MWCI last May 10, 2018. The above requirements will be implemented as soon as new employees are hired.

Other Assets

5. **Non-recognition of Impairment Loss on various Non-operational assets with carrying amount of P121.450 million which remained undisposed for more than 10 years. Also, garnished and dormant other asset accounts totaling P705.185 million were without supporting documents contrary to PPSAS 21 and COA Circular No. 2016-005.**

5. 1. Philippine Public Sector Accounting Standards (PPSAS) 21, COA Circular No. 2016-005 and National Budget Circular (NBC) No. 425, state that:

5.1.1. PPSAS 21 – Impairment of Non-Cash Generating Assets provides that an entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset and recognize impairment loss immediately in surplus or deficit;

5.1.2. COA Circular No. 2016-005 dated December 19, 2016 provides the guidelines and procedures on the write-off of dormant receivable accounts, unliquidated cash advances, and fund transfers of NGAs, LGUs and GOCCs; and

5.1.3. Section A, Part I of NBC No. 425 or the Manual on Disposal of Government Property provides that the disposal proceedings on the unserviceable

property should be immediately initiated to avoid further deterioration of the property and consequent depreciation in its value.

5. 2. Analysis of the Other Assets account with a year-end balance of P1,919,766,136 revealed the following recurring exceptions as reported in prior years:

5.2.1. *Non-recognition of Impairment Loss*

5.2.1.1 As required under PPSAS 21, the Agency should assess regularly any indication of impairment of an asset and recognize the same immediately.

5.2.1.2 Non-operational assets aggregating to P121,450,037 were recognized as *Other Assets* awaiting final disposition thereof, as follows:

Non-operational Assets	Amount
Pipes	P 101,585,055
Structures and Improvement	1,304,866
Distribution, Reservoir and Standpipes	146,068
Buildings and Improvement	14,252,070
Wells and Facilities	3,734,778
Sewer Treatment Equipment	427,200
Total	P 121,450,037

5.2.1.3 Examination of accounting records revealed that no disposal of non-operational assets was conducted for more than 10 years except for the sale of pipes, in CYs 2011 to 2013, to several MWSS employees amounting to P177,260 or a measly 0.17 percent of P101,585,055.

5.2.1.4 It can be inferred from the foregoing that these non-operational assets exhibited indications of impairment thru obsolescence and deterioration due to significant delay of the disposal, yet no provision for impairment losses has been recorded in the books.

5.2.1.5 Non-assessment of the realistic value of these items resulted to overstatement in the asset balance which renders the financial statements misstated.

5.2.2. *Undocumented garnished and dormant other assets totaling P705.185 million*

5.2.2.1. Various items under *Other Assets* totaling P705.185 million were not substantiated by sufficient and relevant documents to establish validity of the inclusion of the following items:

Particulars	Amount
Garnished Accounts	P 10,613,512
Dormant Accounts	688,359,479
Unallocated cost of consultancy and other services	6,212,055
Total	P 705,185,046

5.2.2.2. The failure of Management to provide sufficient substantiation or documentation to prove the valuation, accuracy, completeness and existence of these items poses a challenge on the faithful representation and reliability of financial information appearing in the agency's financial statements, thus its usefulness to the users is diminished.

5. 3. We reiterated our recommendations that Management:

- a. Recognize Impairment Loss-Other Assets to reflect the correct value and immediately dispose the non-operational assets to avoid further deterioration and decline in value thereof;**
- b. Request from the Commission on Audit authority to write-off dormant receivables and unliquidated cash advances in accordance with COA Circular No. 2016-005; and**
- c. Provide reliable basis for recognition, measurement, presentation and disclosure in the books of accounts of the Other Assets on the garnished and dormant other asset accounts totaling P705.185 million.**

<i>Receivable Accounts</i>

- 6. The Receivable Accounts year-end balance totaling P6.123 billion included unreliable amount of P4.188 billion contrary to various issuances, due to:**
- a. Receivables from Concessionaires amounting to P52.440 million and P1.519 million from inactive Raw Water Accounts which remained outstanding for more than five (5) years;**
 - b. Due from Officers and Employees and Loans Receivable accounts with (1) minimal monthly loan amortization of employees who are still in the service; (2) existence of negative loan balances; and (3) uncollected loans totaling P10.776 million previously granted to individuals who are no longer connected with MWSS and non-MWSS employees;**
 - c. Discrepancies totaling P2.310 million between the balance per books and confirmed balance with various government agencies for the leased properties;**
 - d. Disputed claims by MWSI consisting of borrowing cost amounting to P4.048 billion which remained recorded in the books despite its uncertainty of collection; and**
 - e. Guarantee Deposits with MWSI and MWCI amounting to P64.798 million and P62.308 million, respectively, representing active customer's deposits were deemed not valid receivables due to transfer of customer accounts to the Concessionaires.**

Also, loss to government of P1.117 billion representing the uncollected long outstanding receivables from water service customers prior to MWSS' privatization.

6.1. Presidential Decree No. 1445, COA Circular No. 2016-005 and Government Accounting and Auditing Manual (GAAM) provides:

- a. Section 4(4) of Presidential Decree No. 1445 states that, "**Fiscal responsibility** shall, to the greatest extent, be shared by all those exercising authority **over the financial affairs, transactions, and operations** of the government agency."
- b. Sections 6.1, 7.1 and 7.4 of COA Circular No. 2016-005 on the Guidelines and Procedures on the write-off of Dormant Receivable Accounts provides that, **All government entities shall conduct regular monitoring and analysis of receivable accounts** to ensure that these are **collected when these become due and demandable** xxx and that:

The Accountant shall:

7.1 Conduct regular and periodic verification, analysis, and validation of the existence of the receivables, xxx.

xxx

7.4 Prepare aging of dormant receivables, unliquidated cash advances and fund transfers on a quarterly basis (Annexes 1-3) to support the request for write-off, and indicate in the remarks column the existence of the applicable conditions, as follows:

- a. *Absence of records or documents to validate/support the claim and/ or unreconciled reciprocal accounts*
 - b. *Death of the accountable officer/employee/debtor*
 - c. *Unknown whereabouts of the accountable officer/employee/debtor, and that he/ she could not be located despite diligent efforts to find him/her*
 - d. *Incapacity to pay or insolvency*
 - e. *Exhaustion of all possible remedies by the Management to collect the receivables and to demand liquidation of cash advances and fund transfers*
 - f. *No pending case in court involving the subject dormant accounts.*
- c. Section 61 of GAAM Volume 1 discusses Management's operating responsibility to ensure that receivable accounts are collected when they become due and demandable:

Final collection of accounts receivable is also an operating responsibility. xxx.

6.2. The Receivable accounts have a year-end balance totaling P6.123 billion, net of allowance for doubtful accounts, broken down as:

Account Title	Balance
Accounts Receivable	
Accounts Receivables	P 1,550,429,295
Allowance for Doubtful Accounts	(1,117,001,777)

Due from Officers and Employees	47,429,747
Loans Receivables	7,539,933
Interest Receivables	4,401,796
Due from NGAs	16,198,466
Due from GOCCs	2,678,562
Due from LGUs	13,024
Subtotal	511,689,046
Other Receivable	
Receivable from MWSI	5,432,234,484
Receivable from MWCI	163,997,996
Others	14,613,711
Subtotal	5,610,846,191
Grand Total	P 6,122,535,237

6.3. Audit of the Receivable accounts revealed the following:

- a. ***Receivables from Concessionaires amounting to P52.440 million and P1.519 million from inactive Raw Water Accounts remained long outstanding***

6.3.1. Section 6.4(a) of the Concession Agreement states that:

(a) Not later than 14 days prior to the date on which any scheduled payment of principal, interest, fees or other amount is due under an MWSS Loan, MWSS shall notify the Concessionaire in writing of the total amount due on that payment date and of the Peso equivalent thereof (the "Peso Equivalent") calculated at the then prevailing exchange rate. Not later than one business day to each such payment date, the Concessionaire shall remit to such account as MWSS shall instruct an amount, in Pesos, exclusive of any penalties or default interest charges not attributable to a late payment of the Concession Fee by the Concessionaire xxx.

6.3.2. An outstanding balance of P52.440 million was noted in the *Accounts Receivable from Concessionaires – Debt Service* account for the payment of Principal, Interest and Guarantee Fee on loans which have already matured in the previous years. Details are as follows:

Loan No.	Maturity	Loan	MWCI	MWSI	Total
ADB 986	2014	Principal	P 5,362,831	P20,327,520	P 25,690,351
		Interest	20,094,261	546,081	20,640,342
		Guarantee Fee	4,751,993	12,976	4,764,969
Sub-total			30,209,085	20,886,577	51,095,662
ADB 2012	2013	Interest	2,550	0	2,550
		Guarantee Fee	13,903	0	13,903
Sub-total			16,453	0	16,453
ADB 947	2012	Interest	20,546	0	20,546
Sub-total			20,546	0	20,546
IBRD 4019	2016	Interest	397,270	0	397,270
		Guarantee Fee	27,428	0	27,428
Sub-total			424,698	0	424,698
IBRD 3124	2009	Guarantee Fee	883,104	0	883,104
Sub-total			883,104	0	883,104
Total			P31,553,885	P20,886,577	P 52,440,463

- 6.3.3. Since the loans pertaining to the outstanding receivables already matured, all payments thereof should be due and demandable from the two Concessionaires. Moreover, had Section 6.4(a) of the Concession Agreement been strictly imposed, outstanding receivable from the Concessionaires could have been avoided.
- 6.3.4. Likewise, verification disclosed that receivables totaling P1.519 million from the eight (8) inactive Raw Water customers remained outstanding for more than two years, one of which having a significant balance of P1.504 million.

Customer	Amount	Outstanding Since
Ramos, Pelagio	P 1,504,447.86	August 2014
Cruz, Rodolfo	7,044.86	June 2013
Severino, Abela	555.00	October 2009
Grogun Compound	1,384.32	August 2009
Demayo, Juanito	712.00	July 2009
Francisco, Flora	186.04	November 2015
Angelito R. Chang	4,255.55	September 2015
China Water 1	100.00	August 2012
Total	<u>P 1,518,685.63</u>	

- 6.3.5. Also, no Allowance for Bad Debts was set up for the inactive Raw Water accounts, which is not in line with Paragraph 72 of PPSAS 29,

“If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in surplus or deficit.”

- 6.3.6. **We recommended that Management:**
- Analyze the receivable account and if a shortfall of collection is found, immediately collect from the two Concessionaires the amount advanced by the MWSS to pay the matured loans;**
 - Enforce collection of Receivables from Inactive Raw Water customers particularly the significant outstanding balance of Mr. Ramos amounting to P1.504 million, and set-up an allowance for doubtful accounts for receivables in accordance with paragraph 72 of PPSAS 29; and**
 - Formulate a collection schedule of all outstanding Receivables from the Concessionaires with specific timeline to be agreed by them.**

b. **Due from Officers and Employees and Loan Receivables Accounts**

1. **Minimal amount of loan amortization of active employees**

6.3.7. The imposition of moratorium on the payment of loans through Board Resolution No. 2012-127-H resulted to a monthly amortization for as low as P100, hence, the impossibility of settlement within the terms of payment. Also, the loan can only be paid at an earlier period when an employee retires or resigns. At present, the minimal monthly loan amortization is still in effect in spite of the increased salaries of employees as approved and authorized by the GCG, through its letter dated October 3, 2017.

6.3.8. Based on the December 2017 payroll as audit sample, it is noted that the outstanding housing and/or car loans of 60 employees amounting to P19.619 million will be collected within 3 to 409 years. The result of sampling also disclosed that there will be available funds for each of the employees as additional payment for their respective loans, as follows:

Name of Employee	Basic Salary	Total Housing and Car Loan	Loan Amortization	Years to recover	*Other Deductions	Amount available for use as payment for loans
	[a]	[b]	[c]	[d] (b÷c÷12)	[e]	[(a-c-e)]
Employee 1	31,111	80,716	500	13	14,408	16,203
Employee 2	18,553	90,953	200	37	5,137	13,216
Employee 3	26,149	474,211	500	79	6,799	18,850
Employee 4	63,255	626,438	3,195	16	3,860	56,199
Employee 5	17,780	95,356	100	79	4,079	13,601
Employee 6	25,859	482,811	300	134	6,444	19,114
Employee 7	63,255	614,590	3,095	16	13,581	46,579
Employee 8	17,618	82,353	500	13	1,641	15,477
Employee 9	26,149	451,711	1,000	37	6,490	18,658
Employee 10	17,458	482,583	300	134	6,369	10,788
Employee 11	26,149	559,566	200	233	3,707	22,241
Employee 12	82,240	163,679	100	136	11,684	70,455
Employee 13	11,589	332,128	2,758	10	2,499	6,332
Employee 14	11,691	436,253	200	181	1,599	9,891
Employee 15	57,258	155,627	100	129	11,731	45,426
Employee 16	17,458	489,588	100	407	4,799	12,558
Employee 17	26,149	482,811	300	134	8,196	17,653
Employee 18	100,366	1,081,678	5,995	15	15,462	78,908
Employee 19	45,047	552,902	500	92	17,441	27,106
Employee 20	17,458	473,711	500	78	5,887	11,071
Employee 21	40,776	52,373	200	21	12,603	27,972
Employee 22	56,960	842,913	400	175	29,080	27,479
Employee 23	56,487	162,015	100	135	17,723	38,664
Employee 24	11,589	362,968	1,600	18	3,187	6,802
Employee 25	68,008	604,343	450	111	32,937	34,620
Employee 26	45,047	162,115	100	135	11,412	33,535
Employee 27	57,258	160,549	500	26	9,763	46,995
Employee 28	17,458	486,856	200	202	4,388	12,870
Employee 29	81,132	230,756	2,995	6	31,955	46,182
Employee 30	56,487	576,241	1,000	48	10,111	45,376
Employee 31	45,047	290,695	2,000	12	11,076	31,971
Employee 32	12,593	80,003	500	13	5,915	6,178
Employee 33	30,044	277,048	500	46	3,740	25,804
Employee 34	21,058	95,701	100	79	6,166	14,792
Employee 35	63,324	77,753	500	12	11,902	50,922
Employee 36	40,562	151,793	500	25	25,952	14,110
Employee 37	46,285	139,603	2,000	5	13,455	30,830
Employee 38	65,296	94,915	2,000	3	7,078	56,218

Employee 39	19,095	95,353	100	79	4,606	14,389
Employee 40	36,960	76,978	700	9	9,741	26,519
Employee 41	36,960	58,300	1,000	4	1,990	33,970
Employee 42	19,421	86,553	300	24	3,463	15,658
Employee 43	26,149	473,711	500	78	9,361	16,288
Employee 44	14,221	491,411	100	409	3,650	10,471
Employee 45	49,764	550,436	5,780	7	10,774	33,210
Employee 46	49,764	428,447	500	71	11,261	38,003
Employee 47	26,149	245,987	100	204	5,327	20,722
Employee 48	17,943	489,872	100	408	4,630	13,213
Employee 49	22,361	90,953	200	37	10,013	12,148
Employee 50	36,960	72,267	500	12	8,561	27,899
Employee 51	41,333	90,953	200	37	13,551	27,582
Employee 52	67,092	395,061	8,046	4	22,708	36,338
Employee 53	12,691	480,484	100	400	3,547	9,044
Employee 54	61,561	112,867	100	94	9,144	52,317
Employee 55	22,361	93,888	300	26	1,038	21,023
Employee 56	12,004	77,756	500	12	1,540	9,964
Employee 57	15,315	95,353	100	79	1,036	14,179
Employee 58	83,363	1,021,780	1,000	85	16,837	65,526
Employee 59	17,458	419,712	500	69	4,604	12,354
Employee 60	37,392	612,796	200	255	7,169	30,023
Total		19,619,223				

**Includes GSIS loan and insurance, PAG-IBIG and PhilHealth contribution, Welfare Fund loans, Medicaid, housing services and street lights, Deduction to Water and Sewerage Sector Savings and Loans Association, Inc. (WASSLAI)*

6.3.9. The preceding table shows that the remaining amount of basic salary for the 60 employees after considering all the deductions is still significantly higher and above the GAA-required monthly net take home pay of P4,000 for CY 2017. Hence, these available amount, including monthly Personnel Economic Relief Allowance; and in the case of incumbents with Meal and Rice Allowances and Longevity Pay, can also be utilized to ensure that loans will be settled within the agreed terms of the loan.

6.3.10. Section 47 of General Provisions of the General Appropriations Act of 2017 mentioned that:

*“Deductions from salaries and other benefits accruing to any government employee, chargeable against the appropriations for Personnel Services, maybe allowed for the payment of an individual employee’s contributions or obligations. xxx. In no case, shall the foregoing deductions reduce the **employee’s monthly net take home pay to an amount lower than Four Thousand Pesos (P4,000).**”*

6.3.11. **We recommended that Management stop the moratorium and restructure all loans to effect the reasonable monthly loan payment of all employees payable within their remaining service life at MWSS.**

2. Employee’s negative loan balances but with monthly loan amortization

6.3.12. The accounts of seven (7) employees have a negative housing/car loan balances as shown in the subsidiary ledger but with continuous loan amortization until December 2017, as follows:

Name of Employee	Total Housing and Car Loan	Loan Amortization in December 2017
Employee 1	P (49,480)	P 2,995
Employee 2	(24,909)	2,995
Employee 3	(33,412)	2,995
Employee 4	(27,580)	2,995
Employee 5	(167,757)	500
Employee 6	(10,200)	300
Employee 7	P (27,748)	P 2,995

6.3.13. Section 111 (2) of PD 1445 states that, *“The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.”*

6.3.14. **We recommended that Management analyze the accounts with negative loan balances, stop deducting and return the over payment to the concerned employees, if warranted.**

3. ***Outstanding loans totaling P10.776 million of those employees who are no longer connected with MWSS and non-MWSS employees***

6.3.15. As reported in prior year, Housing, Car and Housing Project Loan under account 123 amounting to P542,323, P2,875,750 and P717,678, respectively, were loans granted to employees who are no longer connected with the MWSS. While, loan receivable amounting to P6,639,933 pertained to loans granted to non-MWSS officers and employees. Considering that collection can no longer be effected thru salary deduction, other means of collections should be initiated.

6.3.16. **We recommended that Management:**

- a. **Send demand letters and/or initiate legal action to collect receivables from officers/employees and individuals who are no longer connected with the MWSS;**
- b. **Analyze the account to determine the principal balance and corresponding unpaid interest and prepare aging of all outstanding Due from Officers and Employees and Loans Receivable as of the year-end; and**
- c. **Submit to COA a copy of the Receivables aging schedule.**

c. ***Discrepancies totaling P2.310 million between balance per books and confirmed balance***

6.3.17. Result of year-end balance confirmation for the leased properties from various Government Agencies disclosed a variance of P2,310,286, to wit:

Agency	Description	Book Balance	Per Confirmation	Variance
OGCC	Office Rental	P 5,658,537	P 5,118,128	P 540,409
	Electricity	1,329,944	0	1,329,944

Agency	Description	Book Balance	Per Confirmation	Variance
Supreme Court	Office Rental	4,500,000	5,250,000	(750,000)
LWUA	Office Rental	121,572	36,599	84,972
NLRC	Office Rental	1,082,471*	0	1,082,471
	Electricity	73,092*	50,602	22,490
Total		P12,765,616	P 10,455,329	P2,310,286

**The amount was derived after deducting the payment of NLRC in January 5, 2018 for the office rent and electricity.*

6.3.18. Also, the lease contract between MWSS and Supreme Court expired last May 28, 2017 and no new contract was submitted to this Office. Verification of the SL showed that the last payment for CY 2017 was in July 2017 amounting to P750,000 for the period April 29 to May 28, 2017. Hence, the unpaid rent is from May 29 to December 31, 2017 totaling P5,250,000, (7 months x P750,000 monthly rent per expired contract) and as compared with the balance of P4,500,000 per books, the account receivable and income accounts were understated both by P750,000.

6.3.19. **We recommended that Management:**

a. Reconcile the discrepancies noted between the lessees' records and accounting records, and effect adjustments if necessary to arrive at the correct receivable account balance; and

b. Submit to this Office all new/renewal leased contracts entered into by MWSS.

d. ***Claims by MWSI consisting of borrowing cost amounting to P4.048 billion***

6.3.20. Total claims amounting to P4.048 billion were included in the year-end balance of the Other receivables account despite being disputed by the MWSI. The details of which are as follows:

Particulars	Amount
Cost of Borrowing	
MWSI-Borrowing Cost-BNP PARIBAS- US\$150M-Interest, Withholding Tax and Others	P 3,952,833,428
Interest/Penalty on Unpaid Borrowing Cost	95,246,566
Total	P 4,048,079,994

6.3.21. The Notes to the Financial Statements disclosed that the cost of borrowing included the principal, interest and finance charges such as bank conversions, documentary stamps, cable charges and penalties. It was also mentioned that *"MWSS is still pursuing the disputed claims on cost of borrowings from Maynilad Water Co., Inc. relative to the BNP Paribas loan."*

6.3.22. PPSAS 19 defined a contingent asset as *"a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets usually*

arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. **An example is a claim that an entity is pursuing through legal processes, where the outcome is uncertain.**" (emphasis ours)

- 6.3.23. Further, Paragraphs 39 and 41 of the same standard state that *"Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate."*
- 6.3.24. Given the pendency of the legal proceedings on the matter, the recognition of the same as Other Receivables is deemed not appropriate.
- 6.3.25. **We recommended that Management record the cost of borrowing totaling P4.048 billion in accordance with PPSAS 19 regarding contingent assets to which the realization or collection of the subject claims is virtually uncertain, pending outcome of the local arbitration proceedings.**
- e. **Guarantee deposits with MWSI and MWCI amounting to P64.798 million and P62.308 million, respectively**

- 6.3.26. Accounting records showed the year-end balance of Other Receivables - Guarantee Deposits account with Concessionaires as reported in prior years', as follows:

Account with	Balance
MWSI	P 82,712,512
MWCI	65,583,130
Total	P 148,295,642

- 6.3.27. Guarantee deposits, as discussed in Notes to the Financial Statements, *"are customer deposits prior to the privatization of MWSS. The amounts were withheld by the two concessionaires from collection of accounts receivable from water and sewer services of MWSS at the onset of privatization where the two concessionaires were authorized to collect. Management and the two concessionaires reconciled to arrive at the amount of guarantee deposit to be refunded to MWSS, where MWCI refunded the amount of P6.6 million while the MWSI P12.284 million in August 2017."*
- 6.3.28. The MWSS Administrator requested from the MWCI and MWSI to refund the guarantee deposits which were deducted from the collections of the MWSS receivables from customers. Hence, out of the billed amount of P9,901,983 to MWCI representing the guarantee deposits of inactive customers, the amount of P6,626,987 was paid on November 30, 2011 evidenced by JEV-2011-11-006275, leaving an unremitted balance of P3,274,996. Similarly, of the billed amount of P30,197,648 to MWSI, the amount of P12,284,007 was paid in August

2017 per JEV-2017-08-003032, leaving an unremitted balance of P17,913,641.

- 6.3.29. Verification showed that in the event that the computation and assessment of MWSS is accurate and acceptable to the concessionaires, the balance of guarantee deposits of active costumers prior to privatization assumed by the concessionaires should have been P127,107,004, as shown in the table below.

Other Receivables		Balance as of December 31, 2017	MWSS' claim for refund from the Concessionaires	Should be balance after refund
MWSI-Guarantee Deposits	P	82,712,512	P (17,913,641)	P 64,798,870
MWCI-Guarantee Deposits		65,583,130	(3,274,996)	62,308,134
Total		P 148,295,642	P (21,188,637)	P 127,107,004

- 6.3.30. Since the balance after refund pertained to active customers that had already been transferred to the concessionaires, the MWSS should cease to recognize the guarantee deposits as receivables from concessionaires and as payable to customers due to the following:

- a. Conceptual framework for Financial Reporting of PPSAS prescribed the recognition criteria on asset/rights and liability/obligations, viz:

“An asset is recognized in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

[F 4.44]

A liability is recognized in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. [F 4.46]”

- b. Based on the foregoing, the amount of P21,188,637 which represents claims against the concessionaires should be the only amount recognized in the books as Other Receivables-Guarantee Deposits.
- 6.3.31. Furthermore, the correctness of recording the MWSS customers' guarantee deposits deducted by the Concessionaires from its remittance to the MWSS cannot be established due to lack of details and supporting documents to establish the accuracy of the guarantee deposits paid by the customers prior to privatization of its operation.
- 6.3.32. **We recommended that Management account for and make necessary adjustments on Other Receivables account representing the guarantee deposits of active customers which have been transferred to the concessionaires.**

f. ***On uncollected P1.117 billion Water/Sewer Accounts prior to privatization***

- 6.3.33. In prior year AAR, it was recommended that Management request for authority to write off from the books the agency's long outstanding receivables, specifically the P1,116,986,530 which represents the accounts from water service customers prior to MWSS' privatization in 1997. Details of the P1.117 billion were not established since there were no available account summary of customers and subsidiary ledgers except for the voluminous collection stubs safely kept at the MWSS storage room. To date, provision amounting to P1.117 billion was set up for the potential loss from said receivables.
- 6.3.34. Collection of receivables is an agency responsibility per Section 61 of GAAM Vol. 1 since Management is expected to exert effort to recover/collect the subject receivables being legitimate income and source of funds and failure to collect will result in loss to government the uncollected amount of P1.117 billion.
- 6.3.35. **We recommended that Management request from the Commission on Audit for authority to write-off from the books, accounts which qualify for derecognition pursuant to COA Circular No. 2016-005, in particular, the water sewer customer accounts.**

Domestic and Foreign Loans Payable

7. Material variance of P1.924 billion existed between the book balances of domestic and foreign loans payable and the confirmed balance by the Bureau of the Treasury (BTr).

The issue on JBIC/OECF loan as a grant/equity from the National Government remained unresolved resulting to non-remittance to the BTr of the accumulated P2.014 billion collections from the two Concessionaires for the payment of the aforementioned loan.

Likewise, the validity of the loan assumed from NHA amounting to P98.795 million remained doubtful/not valid for lack of the Memorandum of Agreement between MWSS, NHA and the two Concessionaires, all contrary to Section 111 of P.D. No. 1445

- 7.1. This is a consolidation of previous year's audit observations on Domestic and Foreign Loans Payable.
- 7.2. Section 111 of PD 1445 on Keeping of the Accounts provides that *the highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.*
- 7.3. In the AAR for CY 2016, we reported that domestic and foreign loans under the Long Term Liabilities account showed unreconciled material variance of P1.526 billion between the records of MWSS and the BTr with a recommendation that

Management require the Finance Department to reconcile the discrepancy/ variance to arrive at the correct account balances at year-end.

7.4. Audit of the Loans Payable account covered the following:

7.4.1. Results of our confirmation with the BTr disclosed an increase of 26 percent from the variance in the previous year or an aggregate discrepancy of P1.924 billion, despite Management's efforts to reconcile the variances noted, as follows:

Loan Account		Amount		Variance
		Per Books	Per Confirmation	
<u>Domestic Loan</u>				
NHA	National Housing Authority	98,795,399	0	98,795,399
SPIAL	Special Project Implementation Assistance Loans	172,951,145	365,146,465	(192,195,320)
IBRD 1272	Tondo Sewer Outfall Project	72,150,705	76,335,824	(4,185,119)
Subtotal		343,897,249	441,482,289	(97,585,040)
<u>Foreign Loan</u>				
OECE/ JBIC	Angat Water Supply Optimization Project	1,531,254,964	*2,790,305,146	(1,259,050,182)
French Loan	Rizal Province Water Supp. Improvement Project (RPWSIP)	2,820,886	2,820,876	10
Subtotal		1,534,075,850	2,793,126,022	(1,259,050,172)
<u>Others</u>				
IBRD 1647	2 nd Urban Development	0	80,141,723	(80,141,723)
IBRD 1814	Mla Sewerage & Sanitation	0	487,656,247	(487,656,247)
Total		1,877,973,099	3,802,406,281	(1,924,433,182)

*pertains to Principal amount only

7.4.1.1. The preceding table shows that, the BTr confirmed IBRD 1647 and 1814 loan balances of P80.142 million and P487.656 million, respectively, but were not recorded in the books.

7.4.1.2. IBRD 1272 is a national government loan relent to MWSS on October 1, 1976 and per subsidiary loan agreement, MWSS should have been repaying the principal starting November 15, 1981.

7.4.2. Accumulated collections of P2,014,622,897 since 2006 from the two (2) Concessionaires as payment for JBIC/OECF loan remained unremitted to the BTr despite the latter's request to make the necessary arrangement and/or facilitate other mode of settlement. In the Agency Action Plan submitted by the Management, remittance of the collection for the loan will continue to be put on hold as Management maintained that the total loan of ₱6.593 billion is to be taken up as grant/equity.

7.4.3. The validity of the NHA loan amounting to P98.795 million remained doubtful/not valid due to the absence of the MOA between MWSS, NHA and the two Concessionaires.

7.5. We reiterated our recommendations that Management:

- a. Require the Finance Department to reconcile the variances/discrepancies in the Loans Payable account with the BTr to present fairly the financial position of the agency and provide explanation on the non-repayment of IBRD 1272;
- b. Set a definite period to settle/reconcile with the BTr on the issue of the JBIC/OECF loan and if found that it is indeed a loan, remit immediately to the BTr the amount collected from the Concessionaires as payment for the loan; and
- c. Make representation with the BTr and NHA to determine if the loan amounting to P98.795 million recorded in the books is a valid obligation of MWSS and if found valid, make the necessary inclusion in the debt service letter to the Concessionaires for the payment of the said loan.

Not valid obligations in the Other Deferred Credits to Income account

8. The Deferred Credits to Income account year-end balance amounting to P1.862 billion includes the amount P455.716 million as not valid obligations due to: (a) amounts totaling P356.080 million for which no cash was received or expense incurred; (b) earned or realized income of P97.850 million; and (c) misclassifications to the account totaling P1.786 million, contrary to paragraph 7 of PPSAS 1.

8.1. Liabilities such as Other Deferred Credits to Income, as defined in paragraph 7 of PPSAS 1, **are present obligations of the entity arising from past events**, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

8.2. Analysis of the account Other Deferred Credits to Income disclosed the following:

Subsidiary Ledger Account – Other Deferred Credits		Amount
Credits With No Collections Received		
a. Deferred Credits to Income – Concession Fee Corporate Operating Budget (COB)	P	260,833,306
b. Deferred Credits to Income – Penalty on delayed payment – Borrowing Cost - MWSI		95,246,576
Sub-total		356,079,882
Credits With Collections Already Earned		
a. Other Deferred Credits to Income – Rentals of MWSS Properties		2,885,739
b. Other Deferred Credits to Income – Others (IBRD for Manila Third Sewage Project)		50,821,287
c. Other Deferred Credits to Income – Disposal/Public Auction		31,124,028
d. Other Deferred Credits to Income – Cost of Lot for Housing		13,019,098
Sub-total		97,850,152
Credits Misclassified To Other Deferred Credits		
a. Amount withheld for liquidated damages		25,705
b. Cash Bonds and Others		8,000
c. Miscellaneous – Advance Payment to Consultant		1,752,679
Sub-total		1,786,384
Total	P	455,716,418

- 8.2.1. Deferred Credits to Income – Concession Fee Corporate Operating Budget (COB) pertains to the CY 2018 Concession Fee share of MWSI totaling P260,833,306 which the Management expects to collect.
- 8.2.2. Deferred Credits to Income - Penalty on Delayed Payment – Borrowing Cost – MWSI pertains to the accounts of the MWSI totaling P95,246,576 that have not been collected to date. This was recognized in CY 2007.
- 8.2.3. Other Deferred Credits to Income – Rentals of MWSS Properties pertains to advance collection for the rent of MWSS Properties totaling P2,885,739 which were already earned in CY 2017.
- 8.2.4. Other Deferred Credits to Income – Others pertains to the Grant received from the International Bank for Reconstruction and Development (IBRD) in CY 2004 as assistance to MWSS in the preparation for the Manila Third Sewerage Project (Fund 91). The amount of P50,821,287 was already disbursed since the subsidiary ledger for the Fund 91 showed a debit to the Construction-in-Progress account. Hence, it is no longer a proper credit to the Deferred Credit account.
- 8.2.5. Other Deferred Credits to Income – Disposal/Public Auction refers to the accumulated proceeds of P31,124,028 from the disposal/public auction of unserviceable assets which needs to be reconciled with the various subsidiary accounts for identification of assets, its depreciation and gain or loss on sale of assets.
- 8.2.6. Other Deferred Credits to Income – Cost of Lot for Housing pertains to the undistributed collections totaling P13,019,098 for the cost of lot – La Mesa Housing Project.
- 8.2.7. Other Deferred Credits to Income – Amount withheld for liquidated damages of P25,705 refers to the amount withheld from contractors under dispute.
- 8.2.8. Other Deferred Credits to Income – Cash Bond and Others subsidiary balance of P8,000 pertains to the collection of P800 cash bonds for the rent of MWSS premises and P7,200 performance bond for the lease of photocopy machines. This should be reclassified to the proper payable account
- 8.2.9. Other Deferred Credits to Income – Miscellaneous refers to the advance payment of P1,752,679 to the consultant for the Pasig River Environmental and Rehabilitation Sector Development Program (PREMRSDP) as described in the subsidiary ledger. As such, the credit to the account did not meet the definition of a deferred credit to income.
- 8.3. **We reiterated our recommendation and Management agreed to analyze and review each of the subsidiary ledgers of the Other Deferred Credits account to ensure that only cash collections received in advance are recognized at the end of each accounting period; and thereafter, prepare the necessary adjusting entries.**

Unrecouped Advances to Contractors

9. The Advances to Contractors account year-end balance totaling P851.809 million, P278.402 million (net) or 33 percent remained unrecouped/outstanding for more than four (4) years which deprived MWSS of additional funds for operation, contrary to Section 5.3 Annex E, RIRR of RA 9184.

9.1. The advances to contractors totaling P278,402,437, net of negative balances, remained unrecouped/dormant since January 2013 as reported in last years' AAR and data/information relevant to the projects were incomplete and/or not available to determine the persons liable and/or responsible for the non-recoupment, as follows:

Account Code	Contractors	Balance
181-01-000-000-000-042	Consuelo Builders Corp.	P 2,500,341
181-01-000-000-000-058	FF Cruz Const. & Co. Inc.	2,959,907
181-01-000-000-000-063	Filipino Pipes & Foundry Corp	34,792,598
181-01-000-000-000-076	Gotesco Kawalan Joint Venture	16,184,338
181-01-000-000-000-110	Makati Development Corp.	4,675,913
181-01-000-000-000-137	Pacifico Austria & Sons	704,029
181-01-000-000-000-160	R.D. Tuazon	9,459,324
181-01-000-000-000-170	Sigma Const.	132,812
181-01-000-000-000-197	Wilper Construction	212,063
181-01-000-000-000-351	A.M. Oreta & Co.	47,970,711
181-01-000-000-000-355	W.M. Lewis & Assoc.	73,523
181-01-000-000-000-356	B.C. Cuerto Const. Corp.	1,309,450
181-01-000-000-000-357	Devt. of Environmental System	127,839
181-01-000-000-000-649	Bousted Technologies Inc./Salcon Ltd.	70,989,440
181-01-000-000-000-674	First Global Hydro Corp.	25,712
181-01-000-000-000-687	A.G. & P./Hydro Resources Const. Corp	4,418,768
181-01-000-282-265-000	JV Angeles Const. Corp.	35,495,705
181-01-000-314-915-000	DM Consunji, Inc.	16,170,003
181-01-000-725-926-000	R II Builders	56,005
181-01-110-439-160-000	MMRR Construction	47,680,244
Sub-total		295,938,725
181-01-000-000-000-052	EEI Corp.	(974,545)
181-01-000-000-000-133	Nippon Jogesuido Sekkei-NJS Consultants	(3,954)
181-01-000-000-000-293	Phesco Incorporated	(727,351)
181-01-000-000-000-354	Sir William Halcrow & Partners	(35,504)
181-01-000-064-415-000	Anden Construction	(975,323)
181-01-101-720-135-000	Mac Builders	(918,521)
Sub-total		(3,635,198)
181-02-000-000-000-058	FF Cruz Const. & Co. Inc.	1,064,123
181-02-000-000-000-096	J.V. Angeles/J.E. Manalo Joint Venture	833,897
181-02-000-000-000-351	A.M. Oreta & Co.	1,091,720
181-02-000-000-000-672	CICG, Inc. - AQ-5A	30
181-02-000-341-915-000	DM Consunji, Inc.	(16,890,859)
Sub-total		(13,901,089)
Grand Total		P 278,402,437

9.2. Considering that the advances to contractors remained dormant, audit observations and recommendations were continuously reiterated to the Management to (i) immediately submit details or information of the said advances; (ii) initiate legal action to recoup the advance payments to contractors; (iii) determine and hold liable the persons responsible for the non-recoupment; and (iv)

take action for the blacklisting of the contractors who have outstanding advances from MWSS.

- 9.3. In the Agency Action Plan and Status of Implementation (AAPSI) for the AAR CY 2016, Management committed to exhaust all possible means to trace the contractors and those people who may have knowledge of the issue, however, it remained unresolved as of year-end.
- 9.4. **We reiterated our recommendation that Management:**
- a. Analyze the advances to contractors account and determine the causes of the negative balances, and effect the necessary adjustments to reflect the correct and accurate book balances;**
 - b. Initiate legal action against the contractors to recoup the advances; and**
 - c. Blacklist the contractors who have outstanding advances from MWSS.**
- 9.5. Management commented that the account balance of the Advances to Contractors had been outstanding for 13 to 14 years. MWSS, for the past four or five years, tried to locate the listed contractors and informed them of the advances, however, there were contractors listed which addresses could not be found and name of company no longer in the list of the BIR.
- 9.6. MWSS will revive the effort as soon as new employees are hired as the reorganization is still in process and no new entrants are in placed in the Finance and Property Management Departments.

Payable Accounts

10. The recording of Payable and Other Liability accounts were deficient, as follows:

Improper recording of accounts

- a. Non-recognition of liability totaling P118 million payable to Public-Private Partnership (PPP) Center of the Philippines representing the project development cost for the New Centennial Water Source-Kaliwa Dam Project and the Rehabilitation, Operation and Maintenance of the Angat Hydroelectric Power Plant Auxiliary Turbines 4 & 5 contrary to PPSAS 1 and Section 59 of P.D. No. 1445;**
- b. Trust liability due to Public Information Agency amounting to P10 million were without the actual receipt of funds contrary to Section 3(4) of PD 1445;**
- c. Non-remittance of P4.123 million withheld from salaries of MWSS employees payable to various MWSS Cooperatives and/or Associations;**
- d. Improper accounting entries to recognize and/or derecognize Trust Liabilities for the salaries of Ipo Watershed workers contrary to Section III (2) – 112 of PD 1445;**

- e. Over remittance of 0.419 million to MWSS Welfare Fund representing payment of housing project loan;
- f. Over accrual of MOOE totaling P0.770 million resulted in the overstatement of the Accrued Payables account and understatement of the Retained Earnings

Unsupported accounts/adjustments

- g. Inclusion of trust liabilities totaling P8.604 million without supporting documents contrary to Sections 4(6) and 98 of PD 1445; and
- h. Non-maintenance of subsidiary ledgers on Payable accounts, contrary to Section 114(2) of PD 1445.

- 10.1. The Payable Accounts have a year-end balance totaling P1.953 billion, broken down as follows:

Account Title	Balance
<i>Payable</i>	
Accounts Payable	P 559,803,909
Interest Payable	173,058,968
Dividends Payable	539,224,749
Due to Officers and Employees	3,857,788
Sub-total	1,275,945,414
<i>Other Liability</i>	
Guarantee Deposits Payable	170,631,641
Performance/Bidders/Bail Bonds Payable	1,697,569
Trust Liabilities	71,250,432
Other Liability	280,982,175
Sub-total	524,561,817
<i>Inter-agency Payable</i>	152,763,115
Total	P 1,953,270,346

- 10.2. Analysis of the Payable accounts revealed the following deficiencies:

a. Non-recognition of payable to PPP Center totaling P118 million

- 10.2.1. **Liabilities**, as defined in the Philippine Public Sector Accounting Standards (PPSAS) 1, are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Thus, two conditions must be present for the recognition of a liability:

- a. It is probable that an outflow of economic benefits will be required for the settlement of a present obligation; and
- b. The amount of obligation can be measured reliably.

- 10.2.2. Section 59 of Presidential Decree No. 1445 states that:

“Audit of Liabilities. In his audit of liabilities, the auditor shall seek to established that all obligations of the agency have been accurately recorded; xxx”.

- 10.2.3. The New Centennial Water Source-Kaliwa Dam Project (NCWSP) and the Rehabilitation, Operation and Maintenance of the Angat Hydroelectric Power Plant Auxiliary Turbines 4 & 5 (ROM AN-4 & 5) were originally approved by the National Economic and Development Authority (NEDA) Board as Public-Private Partnership Project on May 29, 2014 and November 29, 2012, respectively. As such, as reflected in a series of communication between MWSS and PPP Center, a Technical Assistance Agreement (TAA) was entered into by and between PPP Center and MWSS on January 4, 2012 for NCWSP and on February 13, 2012 for ROM AN-4 & 5 to avail of the PDMF funding for the pre-investment studies, project documentations, guidance and assistance in the tendering process of PPP projects.
- 10.2.4. On November 6, 2012, a Contract for Transaction Advisory Services (Consultant) for the NCWSP was executed by and between PPP Center, NEDA, and Rebel Group International BV, Netherlands (Transaction Advisor) with the conformity of MWSS for total contract amount of \$2,342,544.00.
- 10.2.5. The PDMF Guidelines, as an integral part of the TAA, provides that:
- “Section 2.7. However, there are some cases where the reimbursement will need to be recovered directly from the Government through the normal budgetary process, to wit:*
- a. The IA/LGU will repay the project development costs incurred in full, plus the administrative fee, when due to reasons within IA’s responsibility, the IA fails to:*
- Bid out the project;*
 - Conclude the bidding process and/or;*
 - Sign the contract with the winning bidder. xxx.”*
- 10.2.6. The NEDA Board, however, confirmed the change in funding source of NCWSP from PPP to Official Development Assistance (ODA) on June 27, 2017. Due to the change of funding strategy, the project development cost was no longer recovered from the winning bidder since the project was not bid out. Hence, MWSS is obligated to reimburse the cost incurred charged to PDMF fund as provided in the TAA.
- 10.2.7. In its letter dated November 17, 2017, the PPP Center is demanding reimbursement from MWSS for the project development cost incurred for the NCWSP and ROM AN-4 & 5 charged against PDMF fund totaling **\$2,361,582 or P117,897,249**, (\$1:P49.923, Closing Rate 12/29/17), broken down as follows:

Project	Actual Disbursement	Cost Recovery Fee (10%)	Total
NCWSP	\$ 1,810,933	\$ 181,093	\$ 1,992,026
ROM AN-4 & 5	335,960	33,596	369,556
Total	\$ 2,146,893	\$ 214,689	\$ 2,361,582

- 10.2.8. Further, MWSS received a confirmation letter from COA - PPP Center dated February 1, 2018 confirming the PPP Center's receivable balance of P118,028,076 from MWSS as of December 31, 2017, representing the project development cost under the PDMF fund for the said projects, detailed as follows:

Project	Amount
1. New Centennial Water Source Project	P 101,068,101
2. Rehabilitation, Operation and Maintenance of Angat Hydro-Electric Power Plant Turbines	16,959,975
Total	P 118,028,076

- 10.2.9. Verification of the Accounting records of MWSS disclosed that no corresponding payable account was recorded in the books. Likewise, the Management, in its reply with the COA - PPP Center's confirmation request, acknowledged that they received the billings but said claims were not yet recorded in the books.
- 10.2.10. Moreover, MWSS requested from the National Government a subsidy of P115 million for the reimbursement of the project development cost incurred for the NCWSP under the PDMF fund of the PPP Center, pursuant to Section 2.7 of the PDMF Guidelines. The Department of Budget and Management (DBM) recommended to include the request in the submission of MWSS' budget proposal for FY 2019 in accordance with the documentary requirements prescribed under the annual budget call.
- 10.2.11. Considering that the conditions in recognizing a liability were all satisfied, MWSS is obliged to reimburse the project development cost incurred chargeable against the PDMF amounting to P118,028,076.
- 10.2.12. **We recommended that Management recognize in the books the obligation due to PPP Center totaling P118,028,076 representing the project development costs charged against the PDMF fund, duly supported with pertinent documents, in compliance with PPSAS 1.**
- 10.2.13. Management commented that the change in the mode of procurement of the New Centennial Water Supply Project – Kaliwa Dam, from PPP to ODA Loan, was a government move and not MWSS. The obligation therefore that arose out of the PPP cost became an NG obligation which was recognized by the NG.

In this regard, MWSS will request from the DBM the budget requirement to pay PPP out of the National Budget for year 2019.

b. Trust Liability of P10 million without actual receipt of funds

- 10.2.14. Section 3(4) of PD 1445 defined trust funds as funds which have **come officially into the possession** of any agency of the government or of a public officer as trustee, agent, or administrator, or **which have been received** for the fulfillment of some obligation.

10.2.15. The account *Other Payables-Trust Liabilities-Due to Public Information Agency* with a balance of P10 million is questionable since there was no actual receipt of fund but only a set-up of receivable from the trustor, contrary to the aforementioned provision.

10.2.16. **We recommended and Management agreed to recognize trust funds only if the sum of money have come officially into the possession of the agency or have been received for the fulfillment of obligation, as defined under Section 3(4) of PD 1445, thus, adjust the amount as necessary.**

c. ***Unremitted amount of P4.123 million withheld from MWSS employees***

10.2.17. On the last year's adjusted unremitted balance of P4,810,620, MWSS remitted the total amount of P687,553 or only 14 percent to the respective MWSS Cooperatives and/or Associations. While of this year's withheld amount of P7,014,626, total remittances amounted to P6,966,082 only or an unremitted balance of P48,544. This is contrary to sound accounting practice that what was withheld should be remitted to the concerned Cooperative/Association. Details are:

Account Code	Creditors	Unremitted Balance as of January 1, 2017	This Year		Unremitted Balance as of December 31 2017		
			Amount Withheld	Amount Remitted	Last year	This year	Total
439-02	WASSSLAI	P 317,034	P 3,927,017	P 3,954,605	P 289,446	0	P 289,446
439-03	MWSS Welfare Fund	2,059,271	1,605,195	1,575,868	2,059,271	P 29,327	2,088,598
439-04	MWSS Labor Association	80,038	143,900	132,850	80,038	11,050	91,088
439-06	Medicaid Health Care	61,360	0	0	61,360	0	61,360
439-08	KKMK-MWSS	66,000	0	0	66,000	0	66,000
439-12	MCMC	2,226,917	887,824	1,596,333	1,518,408	0	1,518,408
439-24	MWSS La Mesa Heights Home Owners Association	0	450,690	442,523	0	8,167	8,167
Total		P4,810,620	P 7,014,626	P 7,702,179	P 4,074,523	P 48,544	P 4,123,067

Acronyms:

WASSSLAI – Water and Sewerage Sector Savings and Loans Association, Inc.

KKMK-MWSS – Kaisahan at Kapatiran ng mga Manggagawa at Kawani sa MWSS

MCMC – MWSS-Corporate Office Multi-Purpose Cooperative

10.2.18. **We recommended and Management agreed to analyze the accuracy and validity of the outstanding balance of the other liability and its various accounts such as but not limited to liabilities with various MWSS Cooperatives and/or Associations totaling P4.123 million, and remit immediately as necessary.**

d. ***Improper accounting entries and/or recognition of payables***

10.2.19. The account *Other Payables-Trust Liabilities-Ipo Watershed* (439-31) was used to recognize the receipt of funds from the Concessionaires

for the salaries of Ipo Watershed workers. However, it was observed that the account was directly debited when the funds were drawn to the assigned Special Disbursing Officers (SDOs), thereby extinguishing the liability without proper liquidation to the Concessionaires. This practice is contrary to sound accounting practice for proper monitoring of liquidations of advances to the SDOs.

10.2.20. Sections 111(2) to 112 of PD 1445 state that, *“The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information. Each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations.”*

10.2.21. **We recommended and Management agreed to derecognize the trust liabilities received for Salaries of Ipo Watershed workers only upon liquidation of funds to the Concessionaires, using the following entries:**

a. Payment/grant of one-time cash advance to the AO:

Advances to Special Disbursing Officer	xxx	
Cash in Bank – LCCA		xxx

b. Upon liquidation of funds to the Concessionaires:

Other Payables-Trust Liabilities	xxx	
Advances to Special Disbursing Officer		xxx

e. Over remittance to MWSS Welfare Fund amounting to P419,134

10.2.22. The collections from First Life Financial Co. amounting to P419,134 representing the full payment to the MWSS deceased employees' housing project loan were remitted twice to MWSS-ESWF, per check deposit slips dated April 7 and September 26, 2017, resulting in the understatement of accounts *Other Payable–MWSS Welfare Fund Loans* (439-03-03) and *Cash in bank – Local Currency, Current Account* both by P419,134.

10.2.23. **We recommended and Management agreed to immediately collect the over remittance to MWSS-ESWF amounting to P419,134 and prepare the necessary correcting entries.**

f. Over accruals of MOOE amounting to P0.770 million

10.2.24. The accrued BAC honoraria, loyalty award, and terminal leave benefits in CY 2016 totaling P634,440 were re-accrued in CY 2017, per JEV-2017-12-004994, without reversing the set-up of previous year's accrual. As a result, the account *Accrued Payable* was overstated and *Retained Earnings* was understated by the same amount.

10.2.25. The accrued MOOE in CY 2016 were either below or above the amounts actually paid in CY 2017 which resulted to a net over-accrual totaling P135,822. No entries were prepared to reverse the over accrued MOOE resulting in overstatement of the *Accrued Payables* account and understatement of the *Retained Earnings*, detailed as follows:

JEV No.	Particulars	Actual amount paid in CY 2017	Accrued amount in CY 2016	Over/ (Under) accrued
2017-01-000044	Telephone Bill – MWSS Trunk line	P 26,712	P 29,712	P 3,000
2017-01-000163	EME	3,147	3,147	0
2017-02-000296	Security Services – Main Office	476,796	481,997	5,201
2017-02-000297	Security Services – Main Office	476,796	481,997	5,201
2017-02-000404	Janitorial Services	279,382	312,908	33,526
2017-02-000352	Security Services – La Mesa Dam	511,357	516,936	5,579
2017-02-000353	Security Services – La Mesa Dam	511,357	516,936	5,579
2017-02-000447	Security Services - Umiray	67,315	68,049	734
2017-02-000448	Security Services – Umiray	67,315	68,049	734
2017-02-000450	Elevator Maintenance	10,275	11,508	1,233
2017-02-000445	Elevator Maintenance	10,275	10,279	4
2017-03-000716/ 2017-03-000719	Security Services – Main Office	953,591	964,000	10,409
2017-03-000720/ 2017-03-000725	Security Services – La Mesa Dam	1,022,715	1,034,000	11,285
2017-03-000763	Janitorial Services	279,382	312,908	33,526
2017-03-000764/ 2017-03-000765	Security Services – Umiray	134,630	138,000	3,370
2017-04-001078	Cellphone Bill – Globe Telecom	3,746	2,500	(1,246)
2017-05-001362	Stakeholder's Satisfaction Survey	142,857	160,000	17,143
2017-07-002250	Internet Bill	2,856	3,400	544
Total over-accrued expenses				P135,822

10.2.26. **We recommended that Management prepare reversing entries for the accruals made in CY 2016 totaling 634,440 and P135,822 and stop the practice of re-accruing the previously accrued personnel services which overstated the accrued payable account, when no closing or reversing entries of such accrual were made.**

10.2.27. No Management comment was received.

Unsupported Accounts/Adjustments

g. Trust liabilities totaling P8.604 million without supporting documents

10.2.28. Sections 4(6) and 98 of PD 1445 provide that:

“Section 4(6). Claims against government funds shall be supported with complete documentation.

Section 98. Reversion of unliquidated balances of accounts payable. - The Commission, upon notice to the head of agency concerned, may revert to the unappropriated surplus of the general fund of the national government, any unliquidated balance of accounts payable in the books of the national government, which has been outstanding for two years or more and against which no actual claim, administrative or judicial, has been filed or which is not covered by perfected contracts on record.”

10.2.29. Trust liabilities/funds totaling P8.604 million were recorded in the books with incomplete supporting documents as required by COA Circular No. 2012-001, including but not limited to Memorandum of Agreement (MOA)/Trust Agreement to confirm the validity of the recorded liabilities, as follows:

Account Code	Trustor (to whom funds came from)	Book Balance
439-13-01	Philippine Amusement and Gaming Corporation (PAGCOR)	P 2,000,000.00
439-13-02	Manila Water Company Inc. (MWCI)	2,549,490.00
439-13-03	Maynilad Water Services Inc. (MWSI)	3,169,950.00
439-26	Department of Environment and Natural Resources (DENR)	23,466.67
439-30-01	MWCI	861,194.25
Total		P 8,604,100.92

10.2.30. **We recommended and Management agreed to:**

- a. Submit copy/ies of MOA/Trust Agreement and other supporting documents of all trust liabilities with outstanding balance as of year-end;**
- b. Ensure that only those claims properly supported by complete documentation are recorded as liabilities in the books as required under Section 4(6) of PD 1445; and**
- c. Analyze and review the validity of all recorded other payable accounts and, if warranted, revert to Retained Earnings/ Surplus the payables that remained outstanding for more than two (2) years pursuant to DBM-COA Joint Circular No. 99-06.**

h. Non-maintenance of subsidiary ledgers

10.2.31. Section 114(2) of PD 1445 requires that, *“Subsidiary records shall be kept where necessary.”*

10.2.32. No subsidiary ledgers are maintained for the payable accounts, to validate the identity of the creditors and the corresponding obligations of the Agency.

10.2.33. **We recommended and Management agreed to maintain subsidiary ledgers for all accounts payable as provided under Section 114(2) of PD 1445.**

Variance on the book and confirmed balances of Special Reserve Fund

11. Unreconciled variance of P19.548 million or 4.74 percent of the year-end balance of the Investment in Special Reserve Fund (SRF) between the book balance and the balance confirmed by the Bureau of the Treasury (BTr).

11.1. As reported in prior year's audit observation, there is a difference of P18.245 million between the book balance of the Fund and the amount confirmed by the BTr.

11.2. The SRF maintained with the BTr served as guarantee for the financial obligations of MWSS during the concession period which was established pursuant to Article 2.1 of the Memorandum of Agreement (MOA) between the Department of Finance (DOF) and MWSS.

11.3. It was recommended in previous Annual Audit Reports for Management to immediately reconcile the fund balance recorded in its books as against the balance of investment with the BTr, and effect the corresponding adjustment for the difference noted. Based on the schedule provided by the Management, the said variance has been noted way back December 31, 2002 with initial balance of P8.035 million.

11.4. Verification of the *Investment in SRF* account showed a variance of P19.548 million or an increase of 7.14 percent from last year's variance, between the balance per confirmation with the BTr as against the year-end book balance, computed as follows:

Particulars	Amount
Per Confirmation:	
Government Securities	P 233,380,705.88
Cash Retained at BSP-TSA	159,305,767.60
Balance per Confirmation, 31 December 2017	392,686,473.48
Balance per Books, 31 December 2017	412,234,466.67
Unreconciled Variance	P 19,547,993.19

11.5. We reiterated our recommendation that Management:

- a. Immediately reconcile the book balance of the Investment in Special Reserve Fund as against the confirmed balance with the BTr; and**
- b. Effect the corresponding adjustment for the difference noted amounting to P19.548 million.**

- 11.6. Management informed that they already called the attention of the BTr on this issue, however, the one formerly handling the SRF has retired. They also noted that there are charges being made by the BTr on the Fund due to amortization of Premium on Treasury Bond which are not taken up in the MWSS books as the Agency is not aware of how the transaction is going. Management further commented that they will pursue the reconciliation as soon as new employees are hired in the reorganization process.

Income from the operations of the La Mesa Resort Zone (LMRZ)

12. Assessment and collection of MWSS' forty percent (40%) share in net income from the operations of LMRZ including some provisions of the Memorandum of Agreement (MOA) remained unenforced as of CY 2017, contrary to Section 2 of PD No. 1445.

- 12.1. As reported in the Annual Audit Report for CY 2016, we recommended, among others, that Management:

- a. Seek the post facto approval of the MOA among MWSS, Local Government of Quezon City (LGQC) and ABS-CBN Foundation, Inc. (AFI) and its ratification, then review the legal implications as a result of non-compliance with two out of the four requisites provided for in Section 22 of the MOA for it to be effective;
- b. Settle the 15 percent Management Fee representing the General and Administration Expenses, as claimed by AFI, which is included in the computation in arriving at the net income of the LMRZ operations;
- c. Enforcement/collection of its 40 percent share in net income for CYs 2004 to 2017 on the operations of the LMRZ; and
- d. Submission of Annual Financial Reports prepared and submitted by the AFI as required in Section 11 of the MOA.

- 12.2. In its letter dated August 09, 2017, the AFI submitted to the MWSS documents addressing the issues and recommendations raised in previous years, viz:

- a. Statement of Donations and Expenses as presented to MWSS in July 2017;
- b. Copy of ABS-CBN Lingkod Kapamilya Foundation, Inc.'s (ALKFI) letter in response to the COA Audit Report dated April 5, 2013 and supporting documents;
- c. Copy of ALKFI's letter explaining the legal basis of its 15 percent management fee which represents general and administration expenses not included in the Donations and Expenses report;
- d. Copies of Statement of Donations and Revenues and Expenses for years ending December 31, 2004 to 2015; and
- e. Statement of Donations and Expenses for the year ending December 31, 2016.

12.3. On August 24, 2017, a copy of the above letter and its accompanying documents were furnished to COA. Hence, Management was requested to submit the results of evaluation and actions taken thereon for the purpose of validating the MWSS' Action Plan but none was submitted.

12.4. Likewise, AFI in its reply dated September 26, 2017 to AOM No. CO-2016-05, informed, among others, that all donations and funds generated have been utilized to develop and protect the La Mesa Ecopark and Watershed, and campaign for the protection of the environment. However, it should not preclude the MWSS to ascertain the validity of the disbursements to arrive at the net income after tax. Section 6 of the MOA provides that:

"Section 6. All funds generated from the operation of the LMRZ shall be deposited under Special Account (herein referred to as ETF) to be opened in the name of MWSS, AFI and LGQC. Any and all transactions/withdrawals involving the said ETF will be considered approved if signed by at least two (2) official representatives /signatories of either MWSS and AFI, or MWSS and LGQC, who shall be appointed by the respective parties not later than fifteen (15) days after the execution of these presents. Disbursement of said fund shall be subject to existing government accounting rules and procedures on cash disbursements. Said fund shall be solely devoted for the operation, development and management of the LMR and the reservation/forest area, in accordance with the LMRZ work and financial plan; Xxx." (underscoring supplied)

12.5. More so, the LMRZ is a government property and revenue derived thereat is considered government fund. Section 2 of PD 1445 requires that:

Section 2. Declaration of Policy. – It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

12.6. Further, the post-facto approval from the MWSS Governing Board and ratification of the LGQC Sanggunian for the MOA to be effective as required under Section 22 of the MOA remained unacted.

12.7. **We reiterated our recommendations that Management:**

- a. Assess, bill, and collect from the AFI the 40 percent share of income of MWSS from the operation of LMRZ from CYs 2004 to 2017, if any, by:**
 - i. Settle the issue on the 15 percent Management fee representing the general and administrative expenses to arrive at the net income of the LMRZ operations; and**
 - ii. Validate the propriety of the disbursements reported in Statement of Donations and Expenses incurred in accordance with government accounting rules and regulations pursuant to Section 6 of the MOA; and**
- b. Review the legal implication on the fact that two of the requisites for the agreement to be valid as provided in Section 22 of the MOA was not**

complied with: (1) Approval of proper authorities; and (2) Ratification by the LGQC Sanggunian.

12.8. Management commented that the Finance Department had a walk thru with the assets/structures which the LMRZ has constructed in the Park. Said structures will be part of MWSS Property and may be considered as additional assets out of the MWSS share from the operation. The list of assets were already provided to the MWSS/Finance Department which have to be validated as to cost.

12.9. As a rejoinder, Section 10 of the MOA executed by and between MWSS and AFI on April 12, 2005 provides that,

“It is understood that all capital improvements introduced within the watershed and the machines, vehicles, and equipment acquired thru or charged to the proceeds of the project shall be turned over to the MWSS upon expiration of the agreement for use by MWSS to protect and maintain the La Mesa Reservation Area.”

12.10. Hence, structures constructed in the Park should not be in lieu of the 40% share in the net income from the operations of the LMRZ.

Unreconciled, Abnormal and Dormant Account Balances

13. The existence of unreconciled/unverified, abnormal/negative, and dormant balances totaling P1.788 billion affects the reliability and accuracy of total asset and liability account balances contrary to Sections 111 and 114(2) of PD No. 1445.

13.1. Analysis of the accounts disclosed the following observations:

On the unreconciled/unverified balances of asset and liability accounts totaling P1.459 billion

13.1.1. Sections 111 and 114(2) of Presidential Decree 1445 state that:

“Section 111. Keeping of Accounts.

(1) The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.

(2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.”

Section 114. The general ledger.

(2) Subsidiary record shall be kept where necessary”

13.1.2. Reported total assets and liabilities of the MWSS Corporate Office in CY 2017 amounted to P57,159,733,152 and P12,536,996,709, respectively.

Unreconciled/unverified accounts amounted to P574,474,885 or one percent (1%) of the reported total assets while seven percent (7%) or P884,548,255 for total liabilities, detailed as follows:

Account Title	Amount
Accounts Receivable (Net)	P21,596,858
Other Receivables	1,108,354
Prepayments	96,513,125
Property, Plant and Equipment (Net)	17,813,593
Construction in Progress	457,018,739
Other Assets	499,424,638
Allowance for Doubtful Accounts	(519,000,422)
Total Assets	P574,474,885
Payable Accounts	533,802,867
Other Liability Account	328,112,668
Deferred Credits	22,632,720
Total Liabilities	P884,548,255

- 13.1.3. These accounts were the result of temporarily recording to suspense accounts (000-00-99) the General Ledgers (GLs) with no Subsidiary Ledgers (SLs) and the discrepancies between GLs and SLs during the first implementation of the e-NGAS. The existence of these unreconciled accounts may also affect the accuracy of the account balances since these were just lodged/recorded without details and corresponding subsidiary ledgers when the e-NGAS was implemented in CY 2007.
- 13.1.4. **We recommended that Management facilitate the immediate reconciliation of the unreconciled/unverified accounts for fair presentation of the Statement of Financial Position and provide the details/schedule and other available supporting documents relating to all unreconciled/unverified accounts.**
- 13.1.5. Management commented that to date, nobody is assigned to do the reconciliation of the account. The lack of personnel brought about by the dismissal and ERIP of those assigned at the Finance Department made it hard to focus on some of the issues.
- 13.1.6. As a rejoinder, we request that the Management augment their personnel to address the reiterated audit observations the soonest.

On the abnormal/negative balances totaling P19.278 million

- 13.1.7. Section 4(8) of PD 1445 states that, *“Generally accepted principles and practices of accounting as well as of sound management and fiscal administration shall be observed, provided that they do not contravene existing laws and regulations.”*

Verification of the trial balance and subsidiary ledgers for CY 2017 revealed that the abnormal/negative balances of the asset and liability accounts had increased by P181,681 and P3,419,831, respectively, which renders the affected accounts doubtful. Likewise, some of these accounts have been abnormal for more than five (5) years, presented as follows:

Accounts with abnormal/negative balances
Comparative as of December 31, 2017

Account Code	Account Title	Abnormal Account since	Balance		
			As of CY 2017	As of CY 2016	Increase (Decrease)
Assets					
<u>Cash</u>					
111-05-CA 244-850075-9	Local C/A– PNB-MWSS Br- Corporate Office	Oct-16	10,388	10,539	(151)
111-05-CA 244-850012-0	Local C/A– PNB-MWSS Br – Main Fund	Jan-14	211,308	211,308	0
113-000-188-209-185	Philippine National Bank	Oct-15	488,503	488,503	0
<u>Accounts Receivable</u>					
123-05-02	Cellphone	Dec-10	3,876	3,876	0
123-05-04	Balara Quarter Rental	Jan-07	178,908	150,844	28,064
123-05-07	MRI Housing Project	Feb-17	11,894		11,894
<u>Other Receivable</u>					
149-01-000-000-000-468	Balara Quarters	Jan-17	85,047		85,047
149-01-005-393-443-000	Smart Communication	Oct-16		80	(80)
149-02-02-03	MWSI-Telephone	Apr-07	102,370	102,370	0
149-02-03-02	PNB-Electricity	Jul-17	56,907		56,907
<u>Prepayments</u>					
181-02	Prepaid Material Cost – for reconciliation (net) *	Jan-07	13,091,090	13,091,090	0
Total Assets			14,240,291	14,058,610	181,681
Liabilities					
<u>Inter-Agency Payable</u>					
411-03-01	For Deposit to Special Reserve Fund – 35% of Proceeds from sale of unserviceable assets	Aug-14	42,425	42,425	0
412-01-10	Final Withholding Tax	Jan-15		2,803	(2,803)
413-03-02	Policy Loan – Contractual	Feb-14	2,000	2,000	0
413-08-01	Optional Insurance Prem. - Regular	Jul-16	107	23	84
413-10-02	Salary/Enhanced Salary Loan – Contractual	Oct-07	3,351	3,351	0
413-13-01	Cash Advance (e-card) - Regular	Jun-16	389	389	0
413-15-02	State Insurance Fund- Contractual	Feb-09		200	(200)
413-16-01	Restructured Loan – Regular	Jun-09	5,868	5,868	0
413-16-02	Restructured Loan – Contractual	Dec-13	4,516	4,516	0
414-03-02	Multi-Purpose Loan – Contractual	Jan-07	1,456	1,456	0
<u>Other Liabilities</u>					
439-02-01-02	WASSSLAI–Contractual (Various Employees)	Jan-11	5,692	5,692	0
439-02-01-03	WASSSLAI–Board of directors (Various Employees)	Dec-09	2,000	2,000	0
439-02-01-04	Contract of Service	Aug-15	153	153	0
439-02-02-02	WASSSLAI Loan – Contractual	Oct-16	5,167	5,167	0
439-02-02-04-01	ERIPians	Dec-15	1,482,182	1,482,182	0
439-05-04	Attorney’s Fee – Atty. Cariaga	Dec-16	10,985	10,985	0
439-12-01	MCMC Housing Proj Development Cost	May-10	3,371,366		3,371,366
431-12-11	MCMC – QB Stove	Mar-15	502	502	0
439-12-12	MCMC – Cocolife	May-17	2,938		2,938
439-20	Due to First Life Guarantee	Mar-17	11,894		11,894
439-24	MWSS La Mesa Heights Home Owner Association	Nov-11	84,747	48,196	36,551
Total Liabilities			5,037,738	1,617,908	3,419,830

- 13.1.8. These abnormal/negatives balances resulted from (a) over-remittance of the withheld amount to various concerned agencies/cooperatives and/or errors in the computation of amount payables; (b) misclassification/reclassification/adjustment made on the accounts; and (c) recording of collection from receivable more than the amount set up.
- 13.1.9. For the account *Prepayments-Prepaid Material Cost* (181-02), the negative balance of P13,091,090 pertains to the account of DM Consunji, Inc. but was understated by P3,799,770 due to net effect of other contractor's account with a normal balance of the same amount. Thus, the negative balance should have been P16,890,859.
- 13.1.10. The increase of accounts with abnormal/negative balances indicates that the Management does not sufficiently and effectively address the above issue.
- 13.1.11. **We recommended and Management agreed to conduct a thorough review/analysis of the affected accounts to determine the causes of abnormal/negative balances and effect necessary adjustments to reflect the correct balances of these accounts and ensure that Section 4(8) of PD 1445, as well as sound accounting practices are being observed.**

On the dormant account balances totaling P309.854 million

- 13.1.12. Rules and regulations that pertain to dormant accounts are as follows:
 - a. Section 98 of PD 1445 requires the reversion of unliquidated balances of accounts payable, viz:

"The Commission, upon notice to the head of agency concerned, may revert to the unappropriated surplus of the general fund of the national government, any unliquidated balance of accounts payable in the books of the national government, which has been outstanding for two years or more and against which no actual claim, administrative or judicial, has been filed or which is not covered by perfected contracts on record." (underscoring supplied)
 - b. DBM-COA Joint Circular No. 99-06 dated November 13, 1999 prescribes the guidelines and procedures on the reversion of accounts payable.

"Section 3.1 All documented A/Ps of all funds which have remained outstanding for two (2) years, shall be reverted to the Cumulative Results of Operations – Unappropriated (CROU), except on-going capital outlays projects.

Section 3.2 All undocumented A/Ps, regardless of the year they were incurred, shall immediately be reverted to the CROU".
 - c. COA Circular No. 2016-005 prescribes the guidelines and procedures on the write-off of dormant receivable accounts that remained inactive or non-moving in the books of accounts for more than 10 years and where settlement/collectability could no longer be ascertained:

“8.2 The head of the government entity shall file the request for authority to write-off dormant receivable accounts, unliquidated cash advances, and fund transfers to the COA Audit Team Leader and/or Supervising Auditor (SA). No filing fee is required.

8.3 The request shall be supported by the following documents:

- a. Schedule of dormant accounts by accountable officer/ debtor/ government entity and by account, certified by the accountant and approved by the Head of the government entity;*
- b. Certified relevant documents validating the existence of the conditions, as applicable, such as:*

xxx

- b.6 Proof of exhaustion of all remedies to collect the receivables and demand to liquidate the cash advances and fund transfers, such as but not limited to copies of served or returned demand letters*
 - b.7 Certification by the responsible officials of the entity to the effect that there are no records/documents available to validate claim*
 - b.8 Other justifications, like in the case of request for write-off due to loss of documents, the circumstances of the loss should be stated in the letter-request.”*
- d. COA Circular No. 97-001 dated 05 February 1997 prescribes the guidelines and procedures on the proper disposition/closure of dormant accounts that remained non-moving for more than five (5) years.*

10. If the analysis/review of the accounts/funds is not possible due to absence of records and documents, the agency head concerned should request for write-off and/or adjustment of account balances from the COA, supported by:

10.1 List of available records and extent of validation made on the accounts; and

10.2 Certifications and reasons why the books of accounts/records, financial statements/schedules and supporting vouchers/ documents cannot be located.

13.1.13. Verification of the year-end trial balance and its supporting subsidiary ledgers disclosed various assets and liabilities totaling P145,345,954 and P164,507,940, respectively, remained dormant. The details of which are as follows:

- a. **Dormant asset and liability accounts as a result of e-NGAS adoption totaling P41.526 million***

The year-end balances of dormant asset and liability accounts totaling P31.933 million and P9.592 million, respectively, represent the carrying-over of beginning balances when MWSS adopted and implemented e-NGAS starting January 1, 2007. Also, when these accounts were set-up,

no supporting documents were attached, neither description nor nature of the accounts, hence, the accuracy and validity of the recognized beginning balances in CY 2007 were doubtful, viz:

Account Title	Account Code	Amount
Assets		
<u>Accounts Receivables</u>		
Terminal Pay	123-03	P 5,823,392
DPWH - Office Rental	136-01-01	1,209,411
DPWH – Others	136-01-04	2,654,086
PRRC - Office Rental	136-03-01	391,343
PRRC – Electricity	136-03-02	443,799
Ninoy Aquino Int'l Airport	137-01	4,195
City of Manila	138-01	13,024
<u>Other Receivables</u>		
J. Buniao (Canteen)	149-01-05-000-000-000-204	1,178
PhilAqua-Electricity	149-02-04-02	20,140
Canteen-Water	149-02-05-01	158,095
WASSSLAI-Electricity	149-02-06-02	25,374
KKMK-Electricity	149-02-07-02	2,518
KKMK(WEST)-Electricity	149-02-08-02	2,518
LMG (Chemphil)	149-03-01-02	7,730,291
Back Rental of Right of Way (Loyola)	149-03-01-03	1,196,408
AWSOP Telemetry – MWCi	149-03-01-06	781,915
La Vista	149-03-01-08	591,347
LMG (Chemphil)	149-03-02-02	4,627,025
AWSOP Telemetry – MWSI	149-03-02-06	781,915
Mabuhay Vinyl	149-03-02-08	4,993,546
Bldg. Rental Deposit (Tandang Sora Branch)	149-03-02-09	427,300
Deposits-UBIX	149-05-02	22,727
<u>Prepayments</u>		
Franchise Tax	185-04	32,395
Total Assets		P31,933,942
Liabilities		
<u>Other Payables</u>		
Contractors	427-01-03	6,425
Atty.'s Fee - RATA (excess 1 hr. & 49.50)	439-05-01	7,524,350
Medicaid Health Care	439-06	61,360
Financial Assistance – PAGCOR	439-13-01	2,000,000
Total Liabilities		P 9,592,135

b. ***Dormant asset and liability accounts for more than five years totaling P175.043 million***

Various asset and liability accounts with year-end balances of P20.206 million and P154.837 million, respectively, had been dormant for more than five years, as follows:

Account Title	Account Code	Amount	Dormant since
Assets			
<u>Cash</u>			
Various Disbursing Officer (Old	103-000001	P 168,654	Oct 2010

MWSS)			
Miguel, Marivic L.	103-491464	174,644	Jan 2011
<u>Accounts Receivables</u>			
Loan Receivable - MCMC (Board Resolution No. 97-2002)	126-02-01	467,722	Jun 2011
Due from NGA - DBM Procurement Service	136-05	11,344	Mar 2011
<u>Other Receivables</u>			
Secretary Vigilar	146-01	587,400	Jan 2009
Multi Media	149-01-004-574-945-000	388,098	Jun 2011
PNB-Telephone	149-02-03-03	76,579	Nov 2009
Financial Plan Fee for field based investigation	149-03-01-13	22,200	May 2008
Financial Assistance (AWUAIP, BNAQ-6 Phase-2)	149-03-01-14	1,977,500	Oct 2010
Arbitration Exp-Contract No.STP-01	149-03-01-15	66,095	Sep 2009
MWSI Rehabilitation-Related Expenses	149-03-02-10	97,065	Feb 2007
Bidding Expenses	149-03-02-14	532,090	Apr 2007
Financial Plan Fee for field based investigation	149-03-02-16	56,740	Jan 2008
Financial Assistance (AWUAIP, BNAQ-6, Phase-2)	149-03-02-17	2,750,000	Feb 2008
Phil. Information Agency (PIA) Mass Media	149-03-02-18	7,500,000	May 2009
Refundable Gratuity	149-07	214,417	Jun 2010
<u>Prepayments</u>			
Bail Bonds – Real Estate	185-07	300,000	Jan 2008
<u>Other Assets</u>			
300 MLD (Technical Assistance)	290-03-02-01	4,445,570	Feb 2010
Review of Loan Documents	290-03-03-01-01	20,000	Jan 2010
Investigation and Survey	290-03-04-04	349,720	Dec 2009
Total Assets		P 20,205,838	
Liabilities			
<u>Accounts Payable</u>			
Interest Payable - JBIC – AWSOP	409-03-JBIC	P 64,419,458	Dec 2010
<u>Inter-agency Payable</u>			
Guarantee Fee- Bridge Loans	411-01-02	79,926,050	Oct 2008
GMA	427-01-04	10,000	Dec 2009
KKMK (New)	439-08	66,000	Sep 2010
Trust Fund 25% (A.A.)	439-09	361,609	Mar 2011
Special Power of Attorney (A.A.)	439-10	1,041	Jun 2010
MCMC Inos Classic Chef Collection	439-12-03	39,762	Jun 2011
MCMC Construction of Chapel	439-12-04	10,000	Jan 2011
MCMC – Caserole (Gold Princess Collection)	439-12-08	3,090	Sep 2012
Due to Philippine Information Agency	439-27	10,000,000	Sep 2009
Total Liabilities		P154,837,010	

c. ***Dormant balances of asset and liability accounts totaling P93.285 million***

Balances of various asset and liability accounts have been dormant in the books for more than five years totaling P93.206 million and P78,796 respectively, as shown below:

Account Title	Account Code	Amount	Dormant since
Assets			
<u>Accounts Receivable</u>			
Due from GOCCs – LWUA	137-02	P 154,250	Jan 2007
<u>Other Receivable</u>			
Inventory Held In-trust	149-03-01-04	82,438,411	Jan 2007
<u>Other Assets</u>			
Garnished Account	290-04	10,613,512	Oct 2010
Total		P 93,206,173	
Liabilities			
Cash Bond	427-01-07	P 78,796	Feb 2011

The existence of dormant accounts poses doubt on the validity and reliability of the affected accounts.

13.1.14. **We recommended and Management agreed to:**

- a. Intensify efforts to collect the receivables and exhaust all viable means to collect the dormant receivable accounts;
- b. Conduct comprehensive review, analysis and reconcile dormant asset and liability accounts totaling P145.524 million and P164.507 million, respectively, and if warranted:
 - i. Request for authority to write-off receivable accounts that have been dormant for more than 10 years in accordance with COA Circular No. 2016-005;
 - ii. Revert to Retained Earnings/Surplus the payables that remained outstanding for more than two (2) years pursuant to DBM-COA Joint Circular No. 99-06; and
 - iii. Request for authority to write-off and/or adjustment of dormant account balances that remained non-moving for more than five (5) years.

Deficiencies noted in Cash Account

14. The reliability and accuracy of 62 percent of recorded Cash and Cash Equivalent accounts totaling P3.321 billion were doubtful due to:

- a. Funds received by MWSS for specific purposes totaling P2.075 billion or 70 percent of the Cash in Bank – Local Currency, Time Deposits were not deposited and recorded in a separate restricted accounts contrary to Section 3(4) of P.D. 1445;
- b. PNB time deposit account with a carrying negative balance of P488,503 remained unadjusted/unreconciled in the books in spite closing of the account in CY 2015 in compliance with DOF Circular Nos. 001-2015 and 002-2015;
- c. Recurring net reconciling items between the book and bank balances totaling P3.138 million remained unadjusted for more than 10 years in the Cash in Bank – Local Currency, Current and Savings Accounts resulting in misstatement of the accounts;
- d. Non-preparation and non-submission of monthly Bank Reconciliation Statement for Local and Foreign Currency Savings Accounts of MWSS, contrary to Section 74 of P.D. 1445; and
- e. Misclassification of accounts for the refund of unclaimed salaries and wages of Bantay Gubat amounting to P40,144 wherein Cash-Disbursing Officer Account (103) was credited instead of Other Payables-Trust Liabilities account (439-31).

14.1. This is a reiteration of prior year's audit observation.

14.2. As of December 31, 2017, the account Cash and Cash Equivalents reported a balance of P3,321,076,347. Details are:

Account Name	Account Code	Balance
Cash – Collecting Officers	102	P 1,344
Cash – Disbursing Officers	103	386,346
Petty Cash Fund	104	245,885
Cash in Bank-Local Currency, Current Account	111	338,051,049
Cash in Bank-Local Currency, Savings Account	112	6,199,562
Cash in Bank-Local Currency, Time Deposits	113	2,974,469,257
Cash in Bank-Foreign Currency, Savings Account	116	54,642
Cash in Bank-Foreign Currency, Time Deposit	117	1,668,262
Total Cash and Cash Equivalents		P 3,321,076,347

- a. ***On funds received by MWSS for specific purposes not deposited and recorded in a separate restricted accounts***

14.3. ***Trust Funds***, as defined in Section 3(4) of P.D. 1445, “are funds which have come officially into the possession of any agency of the government or of a public officer

as trustee, agent, or administrator, or which have been received for the fulfillment of some obligation.”

- 14.4. Further, Section 3(4) of P.D. 1445 states that “*Trust Funds shall be available and may be spent only for the specific purpose for which the trust was created or the funds received*”.
- 14.5. Of the P2.974 billion year-end balance of *Cash in Bank-Local Currency, Time Deposits (CIB-LCTD)* account, the amount of P2.074 billion or 70 percent was held in trust for specific purpose, to wit:

Description	Account Number/Bank	Amount
1. Funds received from SM Prime Holdings as payment for the lease of MWSS property	- 1461-1140-20 / Land Bank of the Philippines (LBP) – Katipunan Branch	P 36,304,319
2. Funds collected from the Concessionaires as payment for JBIC loan	- Various Time deposit accounts maintained at LBP – Katipunan Branch	2,014,622,897
	- 0405-018508-160 / Development Bank of the Philippines	
3. Funds received from BTr-National Government and held-in-trust by MWSS as agreed in the MOA executed by and between MWSS and NPC	- 1461-1184-50 / LBP – Katipunan Branch	23,750,000
Total		P 2,074,677,216

- 14.6. Examination of the above funds showed that collections from the Concessionaires as debt service for JBIC loan and funds received from the BTr were combined with other funds placed in time deposit. The funds should be segregated from other time deposits and separately reported in the book as restricted accounts to determine the cash available for the agency’s operations and to prevent the use of the fund for purposes other than for which it was created as prescribed in Section 3(4) of P.D. 1445.
- 14.7. Moreover, verification of MWSS time deposit accounts at Land Bank of the Philippines-Katipunan Branch showed that no separate subsidiary ledgers were maintained for eleven (11) high yield savings accounts, other than the accounts mentioned in paragraph 14.5, totaling P1.003 billion, contrary to Section 114(2) of P.D. 1445 which states that “*Subsidiary record shall be kept where necessary*”. Details are:

No.	Account Number	Amount
1	1461-1171-60	P 140,459,659
2	1461-1182-63	133,723,959
3	1461-1183-95	18,399,840
4	1461-1186-03	79,542,387
5	1461-1188-59	61,190,349
6	1461-1192-19	3,556,297
7	1461-1196-85	30,276,136
8	1461-1198-39	249,312,193

9	1461-1199-36	17,439,831
10	1461-1199-95	17,000,000
11	1461-1203-90	252,745,452
Total		P 1,003,646,103

- b. ***On PNB time deposit account with a carrying negative balance of P488,503 which remained unadjusted/unreconciled in the books in spite closing of the account in CY 2015***

14.8. In spite of prior years' recommendation to reconcile the PNB time deposit account, which was closed in CY 2015 in compliance with DOF Circular Nos. 001-2015 and 002-2015, a negative book balance of P488,503 remained unadjusted in the books thereby reducing the account *Cash in Bank-Local Currency, Time Deposits* by the same amount at year-end.

14.9. The MWSS should immediately reconcile/adjust the books and make representation with the bank, if needed, in order to arrive at the correct balance of Cash-in-bank-LCTD account.

- c. ***On recurring net reconciling items totaling P3.138 million between the book and bank balances which remained unadjusted in the Cash in Bank-Local Currency, Current and Savings accounts for more than 10 years resulting in misstatement of the accounts***

14.10. Review of the submitted Bank Reconciliation Statements (BRS) of *Cash in Bank – Local Currency, Current and Savings Accounts* maintained with PNB and DBP showed recurring net reconciling items of P3,137,516, to wit:

Bank Name	Account	Per Book	Per Bank	Reconciling Items
PNB	Cash in Bank – Local Currency, Current Account (LCCA)	P (221,696)	0	P 221,696
	Cash in Bank – Local Currency, Savings Account (LCSA)	49,732	P 55	(49,677)
DBP	Cash in Bank – Local Currency, Savings Account (LCSA)	5,501,321	2,191,786	(3,309,535)
Total		P 5,329,357	P 2,191,841	P (3,137,516)

14.11. Breakdown of the above reconciling items are as follows:

Recurring Reconciling Items	Account	Year	Amount
Outstanding Checks	CA 116-521-900-073	2011	P 45,000
		2014	750
	CA 116-521-900-065	2012	182,447
		2013	18,511
		2014	40,718
	Total Outstanding Checks		287,426
Unrecorded Encashed Checks	CA 116-521-900-073	2010	(20,362)
	CA 116-521-900-065	2013	(29,961)
Bank error: Double debited	CA 116-521-900-065	2003	7,937
Book Error:	CA 116-521-900-073	2003	(15,000)
	CA 116-521-900-065	2003	(8,344)
(1) PNB Current Account - Sub-Total			221,696
Bank Error: Claims as overpayments	SA 116-521-900-112	2003	(6,070)
		2007	(20,569)
		2011	(356)
		2012	(3,000)
	SA 116-521-900-104	2007	(1,211)
			102

	Total Claims as overpayments		(31,206)
Unrecorded Cash/Check/ Credit Memos	SA 116-521-900-112	2009	10,000
		2013	18,521
Unrecorded Debit Memos	SA 116-521-900-112	2007	(15,000)
Bank error: Double debited	SA 116-521-900-104	2008	(31,992)
(2) PNB Savings Account - Sub-Total			(49,677)
Unrecorded Credit Memos	SA 0405-018508-530 (DBP)	2000	56,991
		2003	743,653
Unrecorded Debit Memos	SA 0405-018508-530 (DBP)	2000	(3,093,558)
		2001	(17,649)
		2005	(862)
Other Reconciling Items	SA 0405-018508-530 (DBP)		(998,110)
(3) DBP Savings Account - Sub-Total			(3,309,535)
Net Reconciling Items			P (3,137,516)

For PNB (1) Current and (2) Savings Accounts

- a. The PNB Current Accounts and PNB Savings Accounts (combo accounts) for Corporate Office Fund and COLA/Main Fund were closed in June 2016 and August 2017, respectively, in compliance with DOF Department Circulars Nos. 001-2015 and 002-2015, however, these accounts still have a carrying book balance totaling P(221,696) and P49,732 at year-end.
- b. Outstanding checks totaling P287,426 which have not been encashed by the payee for more than four (4) years should be reverted back to cash since the accounts were already closed. As per bank rulings, checks presented after six (6) months from date of issue is considered as stale check.
- c. A reconciling item totaling P31,206 were overpayments made by the bank to certain MWSS employees. These amounts should be recorded as receivables from payees/recipients to recover the amounts.
- d. Moreover, the closed PNB Savings Account was charged with service fees totaling P51,600 in CY 2016. Per Bank Statement, the debited service charges pertained to "SC PAYWISE ADB INST" and no supporting documents were submitted. These service fees should be reconciled with the bank and request for the documents to support the validity of the charges.

For DBP (3) Savings Accounts

- a. Result of bank confirmation for CY 2017 showed a variance of P3,309,535, between the book balance of P5,501,321 and bank balance of P2,191,786 at year-end. The variance represents the credit and debit memos, and other reconciling items not taken up in the books.
- b. Management claimed that the unrecorded cash/check and debit memos pertained to the commissions directly deducted by the bank and paid or transferred directly to the account of the Collecting Agency–DBP Services (CADBP) at the time the Accounts Receivable from customers are being contracted out. Despite the request made by the MWSS to the bank, the supporting documents could not be produced since they were no longer available, citing the Bangko Sentral ng Pilipinas (BSP) requirement of five years standard retention period for maintaining data. As a rejoinder in the past years' audit observation, the Audit Team requested Management that data in

the passbook be authenticated by the bank as basis for the adjustments of the reconciling items. However, to date, no action has been undertaken.

- c. Further, also included are unsubstantiated “Other Reconciling Items” of P998,110, which nature/origin could not be determined since it pertained to the previous DBP bank account as claimed by Management.

14.12. This is a reiteration from prior year’s audit observation and despite our recommendation to make the necessary adjustments in the books to arrive at the correct cash balance at year-end, reconciling items remained to be recurring in the BRS. To avoid the same occurrence for subsequent transactions wherein reconciling item in the BRS is noted, effect necessary adjustment in the books or immediately reconcile with the concerned banks.

- d. ***On non-preparation and non-submission of monthly Bank Reconciliation Statement (BRS) for five (5) Local and Foreign Currency Savings Accounts contrary to Section 74 of P.D. 1445***

14.13. Section 74 of P.D. 1445 states that:

“Section 74. Monthly reports of depositories to agency head. – At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account outstanding on their books. The head of the agency shall see to it that a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.”

14.14. Monthly Bank Reconciliation Statements for five (5) local and foreign currency savings account maintained by MWSS were not prepared and submitted regularly as prescribed in Section 74 of PD 1445, to wit:

Account	Account Code	Months without BRS
Local S/A-DBP-Makati Branch-old acct 5-08390-405-5	112-05-SA 0405-018508-530	Jan, Feb, Apr, May, Jul, Aug, Oct and Nov 2017
Local S/A-LBP-UP Diliman Branch	112-05-SA 3071-0220-80	Jan, Feb, Apr, May, Jul, Aug, Oct and Nov 2017
Local S/A-LBP Managed by TOP-Special Peso Acct	112-05-SA-0113393-36	All months of CY 2017
Foreign S/A-BSP Managed by BTr	116-05-SA 01085295	All months of CY 2017
Foreign S/A-LBP-Katipunan Br-Main Fund	116-05-SA 1464-0008-91	All months of CY 2017

14.15. A bank reconciliation statement is a tool which brings into agreement the cash balance per books and per bank, hence, should be regularly prepared to establish the accuracy of the reported cash accounts.

- e. ***On misclassification of accounts for the refund of unclaimed salaries and wages of Bantay Gubat amounting to P40,144***

14.16. The account Cash–Disbursing Officer (103) showed a book balance of P386,346 at year-end. Verification disclosed that the cash advance granted to Ms. Santos (SDO) for the salaries and wages of Bantay Gubat was initially recorded as debit to the account Other Payables-Trust Liabilities (439-31) per JEV-2017-07-002349. However, upon refund of the unclaimed salaries and wages per JEV-2017-08-003066, the account Cash-Disbursing Officer (103) was erroneously credited

instead of account Other Payables-Trust Liabilities (439-31), thereby reducing the Cash-Disbursing Officer account by P40,144.

14.17. We recommended that Management:

- a. **Maintain separate bank accounts for the trust funds received for specific purposes and classify in the books as restricted accounts to determine the cash available for Agency's operations;**
- b. **Analyze and reconcile the abnormal balances of the account PNB Time Deposit of P(488,503) and PNB Current Account of P(221,696), and effect the necessary adjustments to arrive at accurate account balances;**
- c. **Make representation with the banks for the submission of debit and credit advices to support the reconciling items; verify the recurring reconciling items and make the necessary adjusting entries;**
- d. **Prepare BRS on all Local and Foreign Currency Savings Accounts at the end of each month in compliance with Section 74 of PD 1445 and submit the same to COA; and**
- e. **Prepare the necessary correcting entries on the misclassification noted in Cash-Disbursing Officer (103) account and thereafter, ensure proper recording to reflect the accurate account balances.**

14.18. Management commented that they will review and analyze the previously recorded entries and comply with the recommendation as necessary. Further, the lack of personnel in the department makes it hard to immediately implement the reiteration made during the previous years.

Other Prepaid Expenses (OPE) Input Tax and OPE Creditable Withholding VAT

15. The OPE-Input Tax (185-01) and OPE-Creditable Withholding VAT (185-02) accounts having a year-end balances of P2.148 million and P0.182 million, respectively, showed unreconciled/unused tax credit of P1.416 million after considering the tax credit applied in December 2017 VAT remittance filed in January 2018.

Likewise, the adjusted year-end balance of OPE-Expanded Withholding Tax (185-03) account in the amount of P27.866 million is not reconciled with the creditable withholding tax balance of P14.960 million per BIR Form No. 1702 (Annual Income Tax Return) filed in CY 2017, thereby showing a variance of P12.906 million.

- 15.1. MWSS records showed balances of Other prepaid expense – Input tax, Creditable Withholding (CW) VAT, and Expanded Withholding Tax (EWT) accounts totaling P30,086,407, net of recon accounts, to wit:

Account	Balance per Book, 12/31/17 (net of for recon accounts)	Proposed Adjustment*	Adjusted Book Balance, 12/31/17
Input tax (185-01)	P 2,148,385		P 2,148,385
CW VAT (185-02)	182,290	P(110,091)	72,199

EWT (185-03)	27,755,732	110,091	27,865,823
Total	P 30,086,407	P 0	P 30,086,407

**discussed in paragraph 15.C*

15.2. Audit observations as reported in previous years are discussed in details, to wit:

On the OPE-Input Tax (185-01) and OPE-Creditable Withholding VAT (185-02) accounts

15.3. Section 110(A) of the NIRC states that:

“Any input tax evidenced by a VAT invoice or official receipt issued in accordance with Section 113 hereof on the following transactions shall be creditable against the output tax.”

15.4. Section 2.57.2 of BIR Revenue Regulations (RR) No. 2-98 (as amended by Section 2 of RR No. 14-2002) on the application of the Creditable Withholding Tax (Expanded Withholding Tax on Rentals-5%) explicitly states that the amount of creditable tax withheld shall be allowed as a tax credit against the income tax liability of the payee and not against Value-Added Tax payable. Instead, the creditable Withholding VAT (5%) for Government Money Payments (Other Prepaid Expenses – Output VAT (185-02)) can be used against Output VAT payment.

15.5. Analysis of the subsidiary ledger of accounts *OPE-Input tax* and *Creditable Withholding VAT* and VAT Return for the quarter ending December 31, 2017 (BIR Form No. 2550-Q) disclosed discrepancies totaling P1.416 million pertaining to prior year's unreconciled accounts and unused creditable taxes against output tax, as shown below:

Account	Adjusted Book Balance	BIR Form No. 2550-Q for December 31, 2017	Discrepancies
Input VAT (185-01)	P 2,148,385	P 786,669	P 1,361,716
CW VAT (185-02)	72,199	18,362	53,837
Total	P 2,220,584	P 805,031	P 1,415,553

- The discrepancy noted in the Input tax includes prior year's unreconciled beginning balance of the account and the recorded excess input tax over output tax amounting to P1,376,113 as per filed VAT remittance in December 2017 for the November 2017 VAT.
- Likewise, review of the subsequent transaction disclosed that the excess tax credit in November 2017 was claimed in the December 2017 VAT remittance filed in January 2018, but said excess tax credit was not recognized in the book, only the input tax pertaining to December 2017 was the amount credited in the account. These accounts should be reconciled immediately to reflect the used and unused tax credits of the Agency.
- Further, the creditable withholding VAT applied in various VAT remittances in CYs 2013 to 2015 were erroneously recorded in the book as credit to *OPE-EWT* account instead of *OPE-CW VAT*. Despite reclassifications made in CY

2015 to correct the misclassified entries, the amount totaling P110,091 remained unadjusted, resulting in the overstatement of the *OPE-CW VAT* and understatement of *OPE-EWT* by the same amount.

On the adjusted year-end balance of OPE-Expanded Withholding Tax

15.6. Section 2.57(B) of the BIR Revenue Regulation 2-98 provides that:

“Under the creditable withholding tax system, taxes withheld on certain income payments are intended to equal or at least approximate the tax due of the payee on said income. The income recipient is still required to file an income tax return, as prescribed in Section 51 and Section 52 of the NIRC, as amended, to report the income and/or pay the difference between the tax withheld and the tax due on the income. Taxes withheld on income payments covered by the expanded withholding tax (referred to in Section 2.57.2 of these regulations) and compensation income (referred to in Section 2.78 also of these regulations) are creditable in nature.”

15.7. Review of the filed Annual Income Tax Return for CY 2017 per BIR Form No. 1702 showed an excess tax credits over the income tax due for the year amounting to P14,959,531, to wit:

Total Income Tax Due for CY 2017	P	6,821,254
Less: Total Tax Credits/Payments		21,780,785
Net Taxable (Overpayment)	P	(P14,959,531)

15.8. The reported ending balance of *OPE-EWT* account in the amount of P27,865,823, after adjustment, may not be accurate due to the noted variance of P12,906,292 between the book balance and the excess tax credit over income tax due filed Annual Income Tax Return, detailed as follows:

OPE-EWT Account (185-03)	Amount
Total EWT (12/31/17), adjusted	P 27,865,823
Less: Excess Credits per BIR Form No. 1702 filed in CY 2017	14,959,531
Difference/Discrepancy	P 12,906,292

15.9. Inquiry from Management revealed that the discrepancy noted pertained to tax credits already applied in prior years, but no accounting entry was made to record the applied tax credit in the book under the *Other Prepaid Expense – EWT* account. Management should analyze and substantiate the account and make necessary adjustment in the books to reconcile with the excess tax credits as filed under BIR Form no. 1702.

15.10. **We recommended that Management:**

- a. **Reconcile the accounts *OPE-Input* and *OPE-Creditable Withholding VAT* to reflect the correct tax credits available to the Agency; and**
- b. **Verify and substantiate the tax credits variance per BIR Form 1702 against the recorded book balance of the account *Other Prepaid Expense-EWT*.**

15.11. No Management comment was received.

Due to BIR and Tax Refund Payable

16. The year-end balance of Due to BIR (412) account totaling P4.498 million showed unreconciled/unremitted balances of P2.455 million, after taking into account the taxes withheld for December 2017 remitted in January 2018.

Non provision for Tax Refund Payable amounting P458,817 made at year-end due to delayed tax analysis and adjustments as required under the National Internal Revenue Code (NIRC) resulted to misstatement of the Due to BIR account.

16.1. This is a reiteration of prior year's audit observation.

16.2. The Due to BIR account balances as of year-end:

Account Code	Account Title	Amount
412-000-000	Due to BIR	P 778
412-01-01-01	ITW from Compensation-Regular	1,317,633
412-01-01-02	ITW from Compensation-Contractual	90,247
412-01-01-03	ITW from Compensation-Other	53
	Compensation	
412-01-02	VAT Withheld	570,572
412-01-03	Professional Tax	161,591
412-01-04	Franchise Tax (Dormant)	58,592
412-01-05	Expanded Withholding Tax	158,104
412-01-08	Output VAT	2,135,334
412-01-10	Final Withholding Tax	4,865
Total		P 4,497,769

- 16.3. Analysis of the transactions pertaining to Due to BIR account disclosed the following:

Unreconciled/unremitted balances of P2.455 million, after deducting the remittance in January 2018 for the taxes withheld in December 2017.

- 16.4. Normally, the *Due to BIR* account year-end balance should only pertain to the December 2017 taxes withheld. However, analysis disclosed that after deducting the remittances made in January 2018 for December 2017 withheld taxes, a discrepancy totaling P2,454,779 was noted, details presented below:

Due to BIR Accounts	Book Balance As of 31 December 2017	Adjustment (Remittance of RO to CO in January 2018)	Adjusted Book Balance as of 31 December 2017	December 2017 Taxes remitted in January 2018	Unremitted Balance as of 31 December 2017
Due to BIR	P 778	P 0	P 778	P 0	P 778
ITW from Compensation-Regular	1,317,633	0	1,317,633	782,107	535,526
ITW from Compensation-Contractual	90,247	0	90,247	44,324	45,923
ITW from	53	0	53	0	53
					108

Compensation- Other Compensation					
VAT Withheld	570,572	143,183	713,755	619,965	93,790
Professional Tax	161,591	0	161,591	59,378	102,213
Franchise Tax	58,592	0	58,592	0	58,592
Expanded Withholding Tax	158,104	301,971	460,075	260,023	200,052
Output VAT	2,135,334	0	2,135,334	716,531	1,418,803
Final Withholding Tax	4,865	0	4,865	5,816	(952)
Total	P4,497,769	P 445,154	P4,942,923	P2,488,144	P2,454,779

16.5. Review of the subsidiary ledgers of the Due to BIR account showed the following:

- a. Collections from MWSS–Regulatory Office totaling P335,881 pertaining to the withheld 5% VAT for the month of November and December 2017 was inadvertently recorded in the book as *Due to BIR–Expanded Withholding Tax (EWT)* instead of *Due to BIR–VAT*, while the collected expanded withholding tax totaling P220,325 was recorded as *Due to BIR–VAT* instead of *Due to BIR–EWT*.
- b. Set up of receivable from MWSI for the payment of final billing for the Joint Sewage & Septage Treatment Plant and Facilities-Project 7 under JEV-2017-09-003311 recognized an output VAT in the amount of P1,396,492. Verification showed that upon collection from MWSI, MWSS issued Official Receipt No. 186812 dated 29 September 2017, which is not a VAT OR. Although the recognized output VAT in the book was not remitted to BIR, the misclassification resulted to overstatement of *Due to BIR–Output VAT* account and understatement of Income account.
- c. Moreover, various unreconciled balances were noted and carried over in the beginning balance of each accounts. Management should analyze and reconcile the accounts to determine if there’s any unremitted withheld taxes to arrive at the correct year-end balance of *Due to BIR* account.

On the non-provision for Tax Refund Payable

16.6. Sections 79 (H) and 252 of the NIRC state that:

“(H) Year-end Adjustment. - On or before the end of the calendar year but prior to the payment of the compensation for the last payroll period, the employer shall determine the tax due from each employee on taxable compensation income for the entire taxable year in accordance with Section 24(A). The difference between the tax due from the employee for the entire year and the sum of taxes withheld from January to November shall either be withheld from his salary in December of the current calendar year or refunded to the employee not later than January 25 of the succeeding year.

SEC. 252. Failure of a Withholding Agent to refund Excess Withholding Tax. - Any employer/withholding agent who fails or refuses to refund

excess withholding tax shall, in addition to the penalties provided in this Title, be liable to a penalty to the total amount of refunds which was not refunded to the employee resulting from any excess of the amount withheld over the tax actually due on their return.”

- 16.7. Audit of CY 2017 transactions disclosed that no provision for tax refund totaling P528,920 was set-up in the books due to delayed tax analysis. As a result, the tax subject for refund remained recorded in the account *Due to BIR* at year-end.
- 16.8. Review of subsequent transactions for the remittance of December 2017 income taxes withheld from employees disclosed that the remitted amount was net of tax refund, as follows:

Due to BIR	1,316,642	
Cash		787,722
Due to BIR-CO		458,817
Due to BIR-RO		70,103

- 16.9. In spite of prior year’s recommendation to recognize the tax refund payable in the book at year-end for excess taxes withheld from employees for the year, Management still maintained the tax refund to the account *Due to BIR* which resulted to the *overstatement* of the account.
- 16.10. Furthermore, the excess tax withheld to employees totaling P458,817 should be refunded to employees not later than January 25 of the succeeding year in accordance with the aforementioned provision. However, to date, the tax refunded to employees only amounted P400,983 per e-NGAS record, leaving an unremitted balance of P57,834.
- 16.11. **We recommended that Management:**
 - a. Review and analyze the account *Due to BIR* and determine the unremitted tax collections and remit the same to the BIR. Likewise, make necessary adjusting entries to arrive at the correct account balance; and
 - b. Determine the Tax Refund Payable to employees and effect the necessary adjusting entries at year-end.
- 16.12. No Management comment was received.

Telephone-Mobile Expenses

17. Lapses were observed in the recording and payment of Telephone-Mobile expenses, to wit:
 - a. Additional transaction charges of P7,774 in the post-paid plan bill were deemed personal/unofficial in nature;

- b. **Non-issuance of Property Acknowledgment Receipt (PAR) on the mobile phones provided to the officers and employees is contrary to Section 21, Chapter 10, Property, Plant and Equipment, of the Government Accounting Manual for NGAs (Volume 1); and**
- c. **The authorized monthly communication charges of P5,000 for the Administrator, Senior Deputy Administrator and Deputy Administrators may be considered excessive.**

17.1. Section 4.2 of P.D. 1445 states that, *“Government Funds or property shall be spent or used solely for public purposes.”*

17.2. Audit of the Telephone-Mobile expenses totaling P790,478 for CY 2017 disclosed the following:

a. ***Personal transaction charges of P7,774***

17.3. Examination of the journal vouchers and supporting documents disclosed that roaming and share-a-load transactions totaling P7,774 were charged in the post-paid plan bill which may be considered as personal/unofficial in nature:

JEV No.	Period Covered	Mobile No.	Roaming Charges*	Share-a-Load	Share-a-Load Txn Charge	Total
2017-02-000406	12/13/2016-01/12/2017	0917-xxx12	1,297	400	4	1,701
2017-03-000862	01/13/2017-02/12/2017		0	450	4	454
2017-04-001218	02/13/2017-03/12/2017		0	400	3	403
2017-05-001341	03/13/2017-04/12/2017		3,199	400	3	3,602
2017-06-001952	04/13/2017-05/12/2017		0	250	2	252
Sub-Total			4,496	1,900	16	6,412
2017-11-003741	08/24/2017-09/20/2017	0917-xxx46	0	25	1	26
2017-05-001336	03/13/2017-04/12/2017	0917-xxx05	1,336	0	0	1,336
Grand-Total			5,832	1,925	17	7,774

* - No Official Travel Abroad

**Accruals not yet included

17.4. Considering that additional charges were personal/unofficial in nature, the same should be borne by the officials concerned.

17.5. **We recommended and Management agreed to settle the additional bill charges which are found personal/unofficial in nature amounting to P7,774.**

b. ***Non-issuance of PAR***

17.6. Section 21, Chapter 10, Property, Plant and Equipment, of the Government Accounting Manual for NGAs (Volume 1) states that:

“xxx, the Supply and/or Property Custodian shall prepare the Property Acknowledgment Receipt (PAR) (Appendix 71) to support the issue of property to end-user. The PAR shall be renewed at least every three years or

every time there is a change in accountability or custodianship of the property.”

- 17.7. Officials were provided with postpaid plans with handsets under the agency's corporate account without the corresponding PAR which is not in accordance with the aforementioned provision, viz:

Mobile No.	Mobile Handset Issued	Postpaid Plan
0917-xxxxx31	Samsung Galaxy S5 Huawei P10 (Obsidian Black)	Business Flex 2500
0917-xxxxx12	Iphone 5s 16 GB	Business Flex 2500
0917-xxxxx79	Iphone 6 Silver 16 GB	Business Plan 1799
0917-xxxxx30	Samsung Galaxy S3	Business Plan 1799
0917-xxxxx78	Samsung Galaxy S7 32GB Black	Business Flex 2500
0917-xxxxx46	Samsung Galaxy S6 32GB Wireless charger and Headphone	Business Plan 2499
0917-xxxxx59	Iphone 6 Gold 16GB	Business Plan 2499
0917-xxxxx22	Samsung Galaxy S3	Business Plan 2499
0917-xxxxx38	Iphone 6 16 GB Rose Gold	Business Plan 2499
0917-xxxxx57	Samsung Galaxy Note 4 White	Business Plan 2499
0917-xxxxx82	Iphone 6 Silver 16 GB	Business Plan 2499
0917-xxxxx05	Iphone 5s 16 GB	Business Flex 2500
0917-xxxxx07	Huawei Gold	Business Plan 2499
0917-xxxxx46	Iphone 6 32GB Gold	Business Plan 2499
0917-xxxxx36	Samsung Galaxy A7 2017 Black Sky with free flip cover	Business Plan 2499
0917-xxxxx31	Samsung Galaxy A7 2017 Black Sky with free flip cover	Business Plan 2499
0917-xxxxx74	Iphone 6 32GB Gold	Business Plan 2499

- 17.8. **We recommended that Management, for monitoring purposes, require the issuance of Property Acknowledgment Receipt (PARs) on handsets/mobile phones issued to MWSS Officials in accordance with Section 21, Chapter 10, of the Government Accounting Manual for NGAs (Vol. 1).**

- c. ***Authorized monthly communication allowance of P5,000 may be considered excessive***

- 17.9. Section 4 of the MWSS Memorandum Circular No. 06-2007 dated July 02, 2007 provides that the Board of Trustees and the top three Officers of the MWSS are authorized for a monthly communication charge of P5,000.

- 17.10. The MWSS, under its corporate account, secured its Officials with Globe postpaid plan of P2,499 or P2,500 per month with the following inclusions, as follows:

Mobile No.	Postpaid Plan	Postpaid Plan Inclusions
0917-xxxxx78	Business Flex 2500	Super Duo (Unli call to landline and Globe); Unlitext All Network; 6 GB Data; Consumables of 402
0917-xxxxx12	Business Flex 2500	Super Duo (Unli call to landline and Globe); Unli text All Network; 6 GB Data; Consumables of 402
0917-xxxxx05	Business Flex 2500	Super Duo (Unli call to landline and Globe); Unlitext All Network; 6 GB Data; Consumables of 402
0917-xxxxx46	Business Plan 2499	Unlimited Calls and Texts to Globe,

Business Surf with Roll-over 6G; Unli Duo;
25 Minutes to Other Networks;
Unli texts to Other Networks

17.11. The above post-paid plan includes text, call, and mobile data allowances which are enough for the performance of official functions.

17.12. Further, comparison of the authorized rate of P5,000 viz-a-viz the available monthly bills disclosed that approximately 50 percent of the authorized rates is not fully utilized, rendering the allowed limit excessive.

Mobile No.	Period Covered	Bill Amount	Unutilized Monthly Limit	% of Unutilized limit
0917-xxxxx78	2/13/2017-3/12/2017	3,001	1,999	39.98%
	3/13/2017-4/12/2017	1,599	3,401	68.02%
	4/13/2017-5/12/2017	1,614	3,386	67.72%
	5/13/2017-6/12/2017	1,799	3,201	64.02%
	6/13/2017-7/12/2017	1,664	3,336	66.72%
	7/13/2017-8/12/2017	1,889	3,111	62.22%
	8/13/2017-9/12/2017	1,664	3,336	66.72%
	9/13/2017-10/12/2017	2,204	2,796	55.92%
0917-xxxxx12	12/13/2016-1/12/2017	4,874*	126	2.52%
	1/13/2017-2/12/2017	3,682*	1,318	26.36%
	2/13/2017-3/12/2017	2,903*	2,097	41.94%
	3/13/2017-4/12/2017	3,518*	1,482	29.64%
	4/13/2017-5/12/2017	6,331*	(1,331)	(26.62%)
0917-xxxxx46	12/13/2016-1/12/2017	3,114	1,886	37.72%
	1/13/2017-2/12/2017	2,499	2,501	50.02%
	2/13/2017-3/12/2017	2,499	2,501	50.02%
	3/13/2017-4/12/2017	2,499	2,501	50.02%
	4/13/2017-5/12/2017	2,499	2,501	50.02%
0917-xxxxx05	1/13/2017-2/12/2017	2,449	2,551	51.02%
	2/13/2017-3/12/2017	2,449	2,551	51.02%
	3/13/2017-4/12/2017	3,876*	1,124	22.48%
	8/13/2017-9/12/2017	2,500	2,500	50.00%

**Includes roaming charges/share-a-load transactions*

17.13. Excessive limit for monthly communication allowance exposes the usage thereof for unofficial/personal transaction as discussed in item a above.

17.14. We recommended and Management agreed to revisit the MWSS Memorandum Circular No. 06-2007 and consider reducing the allowed limit for the monthly authorized communication allowance for the Administrator, Senior Deputy Administrator and Deputy Administrators to an amount sufficient to cover the postpaid plan subscription.

B. Compliance Audit – Corporate Office

Gasoline, Oil and Lubricants

18. MWSS continuously procured Gasoline, Oil, and Lubricants from Pilipinas Shell Petroleum Corporation (Shell Fleet Card) despite the absence of an approved contract contrary to Section 4(6) of Presidential Decree No. 1445, and services were engaged without the benefit of public bidding.

No Monthly Report of Fuel Consumption are prepared by the General Services Division and non-submission of the same to the COA Auditor, contrary to COA Circular No. 77-61.

18.1 Section 4(6) of Presidential Decree No. 1445 provides that:

“Claims against government funds shall be supported with complete documentation.”

18.2 Paragraph B.4 of COA Circular No. 77-61 on the rules and regulations governing the use of government motor transportation and the fuel consumption thereof states that:

“Monthly Report of Fuel Consumption of Government motor transportation (Appendix G) shall be submitted to the Auditor for verification purposes to determine the reasonableness of fuel consumed during the period.”

18.3 Verification of journal vouchers pertaining to the purchase of gasoline, oil, and lubricants from January to December 2017, showed that the transactions were not supported with a contract executed by and between the MWSS and Pilipinas Shell Petroleum Corporation (Shell Fleet Card). This contradicts the basic requirements in the disbursement of funds which requires that payment shall be supported with complete documentation.

18.4 Also, upon request, copy of the contract cannot be submitted by Management since MWSS averred that the contract from the Pilipinas Shell Petroleum Corporation has been executed way back in 1990. Moreover, no data as to the manner by which services of Pilipinas Shell Petroleum Corporation was engaged, if compliant to RA 9184.

18.5 Furthermore, the different types of motor vehicles utilized by the MWSS during the month, total distance traveled, total fuel used and the normal fuel consumption for each vehicle, shall show among others in the Report of Fuel Consumption. Hence, the absence of such report may result to unmonitored and unregulated fuel consumption which is prone to abuse and misuse.

18.6 Non-compliance with the said regulations may cause the suspension of the payment of gasoline, oil, and lubricant expenses. Moreover, salary of personnel concerned may be withhold pursuant to Section 122 of PD No. 1445.

18.7 **We recommended that Management:**

- a. **Submit the contract executed by and between the MWSS and Pilipinas Shell Petroleum Corporation on the use of Shell Fleet Card in procuring Gasoline, Oil, and Lubricants;**
- b. **Prepare the monthly report of fuel consumption using the report format provided in Appendix G of COA Circular No. 77-61 and submit the same to the Office of the Auditor; and**
- c. **Conduct public bidding in availing fuel and lubricants to avail of the most advantageous price.**

19. **For seven (7) consecutive years, MWSS-CO has no PCW-approved GAD Plans and Budget (GPB), no GAD Accomplishment Reports (AR), and allotted only P7 million or a mere 0.30 percent (0.30%) of its total budget appropriation which were not in accordance with the PCW-NEDA-DBM Joint Circular No. 2012-01.**

19.1 By virtue of Executive Order (EO) No. 273, all government agencies, departments, bureaus, offices, and instrumentalities, including government-owned and controlled corporations are directed to incorporate and reflect GAD concerns in their annual agency plans, agency performance commitment contracts, annual budget proposals and work and financial plans.

19.2 Section 7 of the PCW-NEDA-DBM Joint Circular No. 2012-01 provides significant dates to be observed in GAD Planning and Budgeting, including among others but not limited to:

- *September (2 years before budget year) – PCW issues notification letters to all line departments or central offices for the submission of their annual GPB and GAD ARs to PCW; and*
- *January (1 year before budget year) – Submission of reviewed GPBs and ARs to PCW.*

19.3 For seven (7) consecutive years starting 2011, MWSS-CO has no GPB approved by the Philippine Commission for Women (PCW) in spite reiteration of audit observations and recommendations, and extension of deadline set by the PCW.

19.4 Verification showed that MWSS-CO prepared and submitted its GPB for the year 2017 on August 23, 2016 but is already beyond the extended deadline of February 1, 2016 per PCW Memorandum Circular No. 2015-04 which requires that submission of all GPB and GAD ARs to PCW through Gender Mainstreaming Monitoring System (GMMS) is until February 1, 2016.

19.5 The Management, however, informed that submission of CY 2017 GPB and CY 2016 AR through GMMS is not possible since it was only in December 2016 when MWSS received its username and password to access the PCW website. Likewise, MWSS-CO has requested an exemption from the submission of accomplishment reports for the year 2016 as no plans and programs were implemented, but no reply was received from the PCW.

19.6 Further, the MWSS allotted P7 million GAD fund or only 0.30 percent of its total budget appropriation of P2,343,334,000 per Corporate Operating Budget for CY 2017. The allotted amount is based on 5 percent of its proposed regular Maintenance and Other Operating Expenses (MOOE) and not on the total budget appropriations for CY 2017, thus, fell short on the 5 percent requirement under Section 6.1 of the Joint Circular No. 2012-01, which states that:

“At least five percent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the

agency's maintenance and other operating expenses (MOOE), capital outlay (CO), and personal services (PS). xxx"

19.7 Likewise, Section 30 of the 2017 General Appropriations Act (GAA) tasked all agencies to formulate a GAD Plan and to implement the same by utilizing at least five percent (5%) of their budgets.

19.8 **We reiterated our recommendation that Management:**

- a. **Strictly abide with the provisions of PCW-NEDA-DBM Joint Circular No. 2012-01 and other relevant PCW Memorandum Circulars on the preparation and timely submission of the succeeding GPBs and ARs; and**
- b. **Ensure that the allotted amount for GAD fund is at least 5 percent of the total agency budget appropriations as required under Section 6.1 of the same Joint Circular and General Appropriations Act FY 2017.**

19.9 No Management comment was received.

C. Compliance Audit – Regulatory Office

20. **Notices of Disallowance with issued Notice of Finality of Decision (NFD) amounting to P78,508,955.76 was not recorded in the books as of year-end, contrary to Section 22.6 of COA Circular No. 2009-006, dated September 15, 2009 re: Rules and Regulations on Settlement of Accounts (RRSA)**

20.1. A decision of the Commission Proper, ASB, Director or Auditor upon any matter within their respective jurisdiction, if not appealed as herein provided, shall become final and executory (Section 22.1, Chapter V, RRSA).

20.2. Examination of the detailed Trial Balance of MWSS-RO as of December 31, 2017 showed that under the account title Receivables, no receivables or due from officers and employees from disallowances were recorded/set-up.

20.3. Records show that the Commission Secretariat of the Commission Proper Adjudication and Secretariat Support Services Sector (CPASSSS), Commission on Audit, issued a Notice of Finality Decision (NFD) dated January 24, 2017 pertaining to COA Decision No. 2015-040 dated January 30, 2015 which affirmed COA Corporate Government Sector Cluster-B Decision No. 2012-002 dated June 19, 2012 sustaining forty-eight (48) Notices of Disallowances on the payment of allowances, bonuses, incentives and other benefits to the officials, employees, and members of the Board of Trustees of the MWSS-RO, in the total amount of P82,242,414.99. The NFD was received by this Office on February 9, 2017 and was then served thru personal service and registered mail to persons liable still employed by MWSS-RO and to those who are no longer connected with MWSS-RO.

20.4. The same subject COA Decision was resolved as closed and terminated by the Supreme Court *En Banc* in a Resolution (Entry of Judgment) dated July 26, 2016 with G.R. No. 224240.

20.5. Further, on December 28, 2016 a COA Order of Execution (COE) was issued by Legal Services Sector, Office of the General Counsel, Commission on Audit, which modified the amount from P82,242,414.99 to **P78,508,955.76**. However, the COE was inadvertently transmitted to the MWSS Corporate Office on January 12, 2017. The matter was rectified on February 7, 2018 thru a transmittal by the MWSS Corporate Office to the MWSS Regulatory Office which urged expedient action thereon.

20.6. Foregoing premises considered, we invite Management's attention to Section 7.2, Chapter II of the same rules which states among others the Responsibility of the Agency Accountant for NFDs received, to wit:

"7.2.1 The Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure that:

x x x

*d) The disallowances and charges **that have become final and executory as contained in the Notice of Finality of Decision (NFD)** are recorded in the books of accounts, and settlements thereof under the NSSDC are dropped therefrom; and*

e) The subsidiary ledgers/records are maintained and properly updated for each official/employee determined to be liable/responsible for the amount disallowed/charged/suspended."
(emphasis ours)

20.7. Finally, Section 22.6, Chapter V, of the RRSA emphatically stated that *the Chief Accountant shall, on the basis of the NFD, record in the books of accounts, the disallowance and/or charge as receivable.*

20.8. Therefore, it is sufficient for management to receive an NFD for the Chief Accountant to record the corresponding receivable in the books of accounts arising from disallowances and subsequently monitor any settlement therefrom.

20.9. **We recommended that Management:**

a. Record as Receivables the amount of P78,508,955.76 as of December 31, 2017; and

b. Cause the immediate settlement and payment of the disallowances by persons found liable pursuant to Sections 7.1.1 and 7.1.3, Chapter II, of the RRSA.

20.10. Management agreed and have complied with the recommendation to record the receivables under JV No. 1-18-001 dated January 31, 2018.

Insofar as to the recommendation on the immediate settlement by persons liable determined in the NDs, management seeks consideration in view of the pronouncement of the Supreme Court in the recent case of "MWSS vs COA", G.R. 195105, decided on Nov. 21, 2017, which we believe is relevant to our case, viz:

"The Petitioners, albeit officials cannot be held liable for the disallowed benefits because they had no participation in the approval thereof. The recipients of the benefits, having acted in good faith because of their honest belief that the grant of the benefits had legal basis, need not refund the amounts received."

Management further averred that the facts in the above-cited case are essentially identical, involving disallowance of benefits received by MWSS employees, who were ordered to refund the amounts received.

- 20.11. We stand by our recommendation for the immediate settlement of the disallowances duly recorded as receivables since the issue has already been clarified in a letter dated March 5, 2018 by the COA Legal Services Sector to the MWSS-RO Chief Regulator, when the latter requested guidance from the former in the implementation of the subject COE thru a letter dated February 20, 2018.

In the said letter-reply, the COA Legal Services Sector, enunciated the following:

*"Please be informed that the decision of the Supreme Court in the above-mentioned case is applicable only to the disallowances appealed in the said case. Since the NDs subject of the consolidated cases of **MWSS and Darlina Uy** are different, separate and distinct from the NDs subject COE No. 2016-097, the ruling thereto cannot be applied to COE No. 2016-097. In Addition, COE No. 2016-097 was issued in view of Supreme Court Entry of Judgment dated August 23, 2016 in the case "**Metropolitan Waterworks and Sewerage System vs. Commission on Audit**," G.R. No. 224240, which denied the Motion to Admit (Petition for Certiorari) dated May 12, 2016 filed by the Office of the Government Corporate Counsel and considered the case **closed and terminated**, copy of Entry of Judgement attached."*

21. **Loans amounting to P25.000 million granted to MWSS-RO Multi-Purpose Cooperative for land development and house construction remained with the Cooperative in spite the non-realization/accomplishment of the project, has incomplete documentation and failed the public purpose test as required under Sections 4 (6) and 4 (2) of PD 1445.**

21.1. Included in the Loans Receivable was an account of the MWSS-RO Multi-Purpose Cooperative in the amount of P25,000,000 which has been long outstanding since it was granted in CY 2005, paid under Disbursement Voucher No. 0565 dated August 1, 2005. The loan was a seed money of the MWSS-RO Multipurpose Cooperative for the land development and housing construction in MWSS real property located at Barangay Greater Lagro, Novaliches, Quezon City, as the proposed MWSS-RO Housing Project.

21.2. The Disbursement Voucher evidencing the release of the loan to the Cooperative was not supported by a Contract between MWSS-RO and the MWSS-RO Multi-Purpose Cooperative, contrary to Item 4 of COA Circular No. 97-004 and Section 4 (6) of PD 1445 which states that *Claims against government funds shall be supported with complete documentation.*

- 21.3. Further, the release of the amount was approved by virtue of Board Resolution Nos. 2004-01 and 2005-135 on the condition that the same shall be used for the MWSS-RO housing project only. The amount was confirmed received by the MWSS-RO Multi-Purpose Cooperative. The disbursement is inconsistent with Section 4 (2) of PD 1445 which provides that *Government funds or property shall be spent or used solely for public purposes*.
- 21.4. All documents pertaining to the payment of P25 million to MWSS-RO Multipurpose Cooperative as seed money for the housing program were forwarded to the COA Fraud Audit Office in accordance with COA Office Order Nos. 2010-504 and 2010-679 dated July 29, 2010 and October 15, 2010, respectively, regarding audit of the MWSS disbursement of funds from CY 2005 to June 30, 2010.
- 21.5. Documents revealed that a demand letter dated December 8, 2015 was served to the Cooperative by the MWSS-RO requesting the return/refund of the amount including the accounting of all expenses incurred/charged against the loan and submission of all documents supporting the disbursements.
- 21.6. On April 21, 2016, in reply to a reiterated observation, MWSS RO informed that a meeting with the MWSS-RO Cooperative representative was conducted including the presentation of the Financial Report of the seed money and to submit the details and breakdown of the Financial Report and Cooperative's plan/proposal on how to address/settle the return/refund of the P25 million. Management committed then to provide this Office an update on the progress/development of the matter, which as of this writing was not received by this Unit.
- 21.7. On June 16, 2017, a copy the Annual Audit Report for CY 2016 of MWSS was transmitted to the MWSS-RO where among others the current balance of the loan/fund and status of the housing project was requested as part of the Auditor's Rejoinder on the issue. However, to date despite several follow ups and discussion with concerned personnel for an update on the loan, no clear action or response from management except in their recently submitted Agency Action Plan and Status of Implementation (AAPSI), Management informed that the MWSS-RO Multi-Purpose Cooperative may look into other options of relocating the housing project.
- 21.8. Considering the foregoing, it appears that at present the attainment of the purpose of the grant cannot be achieved or in the near future and therefore, the return of the P25 million loan should be immediately imposed. Moreover, corresponding interest must also be computed considering the time the loan remained outstanding with the MWSS-RO Multi-Purpose Cooperative.
- 21.9. Finally, it is informed that continuous disregard of the requested information on the loan may result to the issuance of a Notice of Disallowance (ND), considering that the disbursement is in violation of Section 4(2) of PD 1445.
- 21.10. **We again reiterated our recommendation 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 CY 2005 up to the present.**

21.11. Management commented that they will take into consideration COA's recommendation upon proper coordination and consultation with the MWSS-RO Multi-Purpose Cooperative and that COA will be apprised of any development on the matter.

Management also informed that they have sent a letter dated April 30, 2018 to the Cooperative requesting for their comments regarding the Audit Recommendations.

21.12. With due recognition of Management's effort to demand from the MWSS-RO Multi-Purpose Cooperative the refund of the seed money, including full accounting of all disbursement and bank statements showing the balance of the fund, we stand by our recommendation and shall issue the appropriate ND if the information long requested is not received within a reasonable period of time.

22. MPLP Loan amortization (Housing and Car Loan) of 21 current employees amounted to P17,500.00 for CY 2017 or a measly .002% of the total amount due of P7,394,947.91, grossly disproportionate collection rate compared to their capacity to pay resulting to arrearages without interest or penalties, contrary to the provisions of the Loan Contract and to the detriment of public interest.

22.1. Analysis of the Summary of the Loan Receivable schedule for the Multi-Purpose Loan Program (MPLP) and Motor Vehicle Financing Program (MVFP) as of December 31, 2017, verification of the loan contracts and payments made, revealed the following:

Name	Year/s MPLP Loan was Granted	Loan balance, 12/31/17	Should be Loan balance per LC*, 12/31/17	Total Arrearages, 12/31/17	Net Pay, 12/31/17(After Sec. 47 of the GAA)	Monthly MPLP Payments
Employee 1	2010	611,307.12	153,850.00	457,457.12	47,021.52	500.00
Employee 2	2011	545,121.20	242,784.69	302,336.51	1,778.35	500.00
Employee 3	2009 & 2010	603,135.34	185,519.27	417,616.07	14,064.87	500.00
Employee 4	2009	425,331.72	116,271.68	309,060.04	5,466.40	500.00
Employee 5	2011	536,126.19	222,148.54	313,977.65	10,924.69	500.00
Employee 6	2010	637,517.18	234,589.95	402,927.23	47,520.06	500.00
Employee 7	2011	694,000.00	261,994.51	432,005.49	16,226.42	500.00
Employee 8	2011	550,614.74	263,246.92	287,367.82	7,353.00	500.00
Employee 9	2012	567,479.12	273,413.58	294,065.54	733.22	500.00
Employee 10	2012	746,050.33	366,350.68	379,699.65	25,752.10	500.00
Employee 11	2009 & 2011	601,113.51	196,446.54	404,666.97	24,329.28	1,500.00
Employee 12	2010	336,411.42	158,937.97	177,473.45	13,080.64	500.00
Employee 13	2009 &	579,752.07	164,025.70	415,726.37	22,712.01	1,000.00

Name	Year/s MPLP Loan was Granted	Loan balance, 12/31/17	Should be Loan balance per LC*, 12/31/17	Total Arrearages, 12/31/17	Net Pay, 12/31/17(After Sec. 47 of the GAA)	Monthly MPLP Payments
Employee 14	2010 2009 & 2011	614,703.59	232,488.51	382,215.08	16,839.38	500.00
Employee 15	2011 2010 & 2011	871,556.98	395,179.47	476,377.51	40,891.61	1,000.00
Employee 16	2011 2009 & 2010	507,561.17	207,153.99	300,407.18	2,046.09	500.00
Employee 17	2010	606,447.57	226,181.37	380,266.20	27,838.89	1,000.00
Employee 18	2010	685,886.21	284,865.97	401,020.24	19,961.45	500.00
Employee 19	2012	576,360.25	293,619.48	282,740.77	4,015.12	500.00
Employee 20	2010	632,528.40	220,481.93	412,046.47	893.14	500.00
Employee 21	2009	281,766.23	116,271.68	165,494.55	28,912.77	5,000.00
TOTAL		12,210,770.34	4,815,822.43	7,394,947.91		17,500.00

*Loan Contract

- 22.2. In an MWSS Board of Trustees (BOT) Resolution No. 2012-127, dated September 20, 2012, the BOT among others simply resolved and directed the MWSS-CO and RO to ensure strict and faithful compliance with the employees' minimum take home pay requirement under Section 37, General Provisions of the GAA 2012. This became MWSS-RO's basis for a moratorium on the payment of loan amortizations; however, the same was resumed in CY 2015 with a minimum of P500 per employee per month, contrary to the provision of the contract and the actual repayment term of 10 years.
- 22.3. For CY 2017, Section 47 of the General Appropriations Act, provides that in no case shall the foregoing deductions (referring to the authorized payroll deduction or mandatory/statutory deductions) reduce the employee's monthly take home pay to an amount lower than Four Thousand Pesos (P4,000). It may be argued that per BOT Resolution No. 2012-127, the threshold take home pay set by the GAA every year must be strictly complied with before deduction for any loan is continued. Stated otherwise, there being enough take home pay to accommodate the monthly loan amortizations by all employee-debtors concerned, any moratorium in the payments is unnecessary unless continuous payment will reduce the take home pay below what is mandated by the GAA yearly.
- 22.4. It is worth mentioning though, that an MPLP loan of the same nature was disallowed in another GOCC and affirmed by the COA Corporate Government Sector (CGS) in Decision No. 2017-21, dated June 1, 2017.
- 22.5. It can now be deduced from the above table that over the years due to a seeming confluence of events e.g. probable disruption of the employee-debtor's ability to pay because of numerous Notices of Disallowance (NDs) on allowances, a BOT Resolution which was considered as a Moratorium on payment of actual amortizations and the payment of a minimal amount when loan amortizations resumed resulted to the combined arrearages as at year-end.

22.6. However, it is clear that the prevailing condition contemplated during the issuance of the BOT Resolution and current circumstance of each employee/debtor under MPLP have improved, thus, merits the objective scrutiny of management to ensure that public funds are promptly recovered.

22.7. **We recommended that management:**

- a. **Re-evaluate/revisit the paying capacity of concerned employees vis-a-vis their actual net pay to date so that loans are fully paid within the period stipulated in the contracts; and**
- b. **Invoke the Deed of Assignment in case of Motor Vehicle loan defaults where the MWSS-RO is authorized to collect the proceeds from the employees' salaries, bonuses, insurance, benefits and other emoluments to ensure the full payment of the loan.**

22.8. Management committed to send demand letters to former employees concerned if they are still in the government. They also mentioned to look into the possibility of requesting the write-off of the loans if these qualify under existing regulations.

On the issue of the post-dated check and arrears of recently resigned/separated employees, management agreed and committed to exert efforts to demand prompt payments from these personnel.

On the issue of the motor vehicle left by a deceased employee, management agreed with our recommendation to adopt clear guidelines to close the loan account and to consider public auction in the disposal of said assets, if necessary.

Finally, on the issue of increasing the loan amortizations payments of current employees, management has already requested the concerned employees to increase their monthly payments. Also, the employees have signed an "Authority to Deduct" from their salaries the amount which they voluntarily committed, to be deducted from their salaries starting June 15, 2018.

22.9. We stand by our recommendation that all arrearages by recently separated and current employees be updated/re-structured including the payment of the appropriate monthly amortization in order that all loans are repaid on time or within the remaining 10 years/term of payment as stipulated in the contract. Any deviation from the agreement, should be considered by the MWSS-RO as sufficient grounds to take the necessary legal action to protect public interest and resources.

23. **Loan amortization arrears totaling P0.544 million from six (6) former employees with receivable balance of P2.542 million as of year-end have not been collected, in violation of the provision of the Loan Contract, thus depriving MWSS-RO of funds which can be used for other public purposes.**

23.1. Analysis of the Summary of the Loan Receivable schedule for the Multi-Purpose Loan Program (MPLP) and Motor Vehicle Financing Program (MVFP) as of December 31, 2017 and verification of payments revealed that 6 former

employees failed to remit/pay their monthly amortizations with arrearages ranging from 3 to 21 months, as follows:

Name	Type of MPLP Loan	Loan Balance 12/31/2017	Monthly Amortization	Last applicable payment (Month & Year)	No. of Mos. in arrears	Total Arrears
Employee 1	Housing	438,585	8,860	January 2017	11	97,460
Employee 2	Housing	746,715	12,101	March 2016	21	254,128
	Car	361,686	11,000	August 2017	4	44,000
Employee 3						
Employee 4	Car	226,660	8,416	May 2017	7	58,910
Employee 5	Car	468,792	7,124	May 2017	7	49,870
Employee 6	Housing	300,033	13,298	September 2017	3	39,893
TOTAL		2,542,471				544,261

- 23.2. It was confirmed by the personnel handling the MVFP and MPLP transactions that the last payment from former employees was delayed when they requested for deferment due to unavailability of funds to clear their checks, detailed as follows:

Name	Monthly Amortization	Last applicable payment (Month & Year)	Check deposit Date
Employee 1	8,860	January 2017	6/14/2017
Employee 2	12,101	March 2016	7/01/2016
			12/19/2017
Employee 3	11,000	August 2017	
Employee 4	8,415	May 2017	6/14/2017
Employee 5	7,124	May 2017	6/14/2017
Employee 6	13,298	September 2017	12/18/2017

- 23.3. Worth mention is the fact that the Loan Contract for the MPLP duly signed by the parties concerned provided that should there be violation of any provision of the mortgage contract, the borrower shall be considered automatically in default without further notice and the balance of the loan shall become immediately due and demandable.

- 23.4. The apparent accommodation or arrangement with the former employees in so far as the check payments, circumvents the aforementioned provision of the loan contract and is manifestly detrimental to the public interest and that the loan program itself is an outright violation of the mandate of the MWSS-RO.

23.5. We recommended that Management:

- Take legal action to immediately collect the P544,261.10 arrears or the entire loan balance consistent with the loan contract and revisit its policy on any accommodation or arrangements in the payment amortizations thru post-dated checks; and**
- Require the immediate settlement of all loans from resigning employees to avoid exposure of the agency from absconding employees, as in these instant cases.**

24. **Receivables totaling P1.091 million from separated/retired officers/employees representing Motor Vehicle Loans remained outstanding for more than 10 years, contrary to the Loan Contracts.**
- 24.1. In the Agency Action Plan and Status of Implementation (AAPSI) submitted by Management, it stated that it has initiated legal action by sending demand letters to the concerned former officers and employees relative to their Motor Vehicle Loan Agreement with the MWSS-RO executed in June 1999.
- 24.2. Verification showed that Management sent demand letters dated May 22, 2017 to three (3) former employees for the settlement of their outstanding obligations to the MWSS-RO, amounting to P1,341,209.26.
- 24.3. However, on August 11, 2017, one of the three employees paid P250,000.00 but still failed to fully settle his obligation, hence, this previous year's audit observation.
- 24.4. **We reiterated our recommendation that Management finally take the appropriate legal action to recover the unpaid receivables from the separated/retired employees in order to protect its interest and more importantly recover public funds.**
25. **MWSS-RO has no guideline for settlement of Receivable from deceased employee resulting to lost opportunity to protect government asset.**
- 25.1. An employee with existing MPLP loan availment and upward balance of P514,470.98 passed away in early October 2017. The vehicle which is the collateral of the loan has been under the custody of the MWSS-RO since the last week of October 2017.
- 25.2. However, to date, this being the first case of a vehicle repossessed by management resulting from the death of an employee/debtor, no clear guidelines are in place to close the loan account of the debtor or when any foreclosure proceedings will be initiated.
- 25.3. Ocular inspection of the vehicle showed that the same appears unmaintained considering that this asset practically represent the last tangible option to recoup at least part of the funds allocated to its purchase, which, from the onset this Office, finds to be inconsistent with existing laws.
- 25.4. **We recommended that management:**
- a. **Take appropriate action to transfer legal ownership of the motor vehicle from the deceased employee to MWSS-RO and consider all options to maximize the use of the asset or auction it to protect public interest; and**
 - b. **Formulate guidelines to be adopted and implemented in similar circumstances.**

26. **The advances to UP National Engineering Center (UP-NEC) in the amount of P4.925 million as at year end for the Public Assessment of Water Services Project (PAWS) remained unliquidated despite the project completion in CY 2011 contrary to Memorandum of Agreement (MOA) dated October 24, 2007.**

26.1. The MWSS-RO transferred an aggregate amount of P51.914 million to the UP Diliman National Engineering Center for the PAWS project for Years 3 and 5. In the Agency Action Plan and Status of Implementation (AAPSI) submitted by MWSS-RO in August 2017 (the same AAPSI was resubmitted in February 2018), Management informed that a demand letter was sent to UP-NEC on March 10, 2017, for the refund of the P2.070 million in as much as the amount is considered free from any issues between the parties in compliance with previous audit recommendation of this Office, as has been reported in CYs 2014-2016.

26.2. In their March 24, 2017 reply, the UP-NEC acknowledged the demand and granted the release of half of the total unexpended budget or P1.035 million, while the remaining amount, will be released upon clearance from the UP-COA of their Financial Report. The MWSS-RO received the amount of P1.035 million on May 17, 2017.

26.3. We note and reiterate that the contract between MWSS-RO and UP Diliman signed on October 24, 2007 for the PAWS project did not provide any explicit requirement for the COA Resident Auditor of UP Diliman to conduct audit or clear any report aside from a supposed pre-approved MWSS format. The audit action by the COA Resident Auditor-UP Diliman on the Financial Report is unnecessary as this is tantamount to pre-audit which has long been lifted by the Commission.

26.4. Advances to UP-NEC showed an outstanding balance of P4.932 million as of December 31, 2017. On January 29, 2018, MWSS-RO sent another demand letter to UP-NEC for the remittance of the remaining 50 percent of the unexpended budget in the amount of P1.035 million. To date no response has been received by Management.

26.5. **We recommended that Management follow-up on their demand from UP-NEC for the immediate refund/return of the outstanding advances from the project. If no response is received, consider other legal remedies to enforce collection of the advances.**

26.6. Management commented and agreed with the recommendation to follow-up on their demand from UP-NEC for the immediate return/refund of the outstanding advances with a warning to resort to any and all available legal means of enforcement if the MWSS-RO does not hear from UP-NEC after the lapse of fifteen (15) days. Should UP-NEC fail to respond accordingly, the MWSS-RO shall seriously consider other legal remedies to recover the outstanding advances.

Likewise, Management committed to consider other options such as requesting possible assistance from UP-COA which this Office agreed to facilitate.

26.7. On 11 May 2018, MWSS-RO's concern was discussed with the COA Audit Team Leader in UP Diliman and was informed upon verification with their records that they did not receive any Financial Report dated July 12, 2016 relative to the PAWS Project as claimed by UP. Subsequently, after a meeting with concerned UP

personnel the Auditor informed us that they advised UP to remit to MWSS-RO any savings from the project immediately.

27. The former PNB Regular and MVFP accounts remained unreconciled by P1.271 million as of December 31, 2017 contrary to Section 74 of P.D. 1445.

27.1. Section 74 of P.D. 1445 states that:

“At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account outstanding on their books. The head of the agency shall see to it that a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.”

27.2. Verification showed that the PNB accounts were closed and transferred to an LBP account on April 7, 2016, however, to date management still failed to fully reconcile the difference between the book and bank balances, detailed as follows:

Account Name	Account Code	Bank Balance	Unreconciled with Book Balance
CASH CIB-LC, C/A- PNB Regular	111-PNB1	0	1,242,351.30
CASH CIB-LC, C/A- PNB MVFP	111-PNB2	0	28,622.45
Total		0	1,270,973.75

27.3. We reiterated our previous year’s recommendation to comply with Section 74 of P.D. 1445 in so far as the transferred balance of PNB account is concerned.

27.4. Management agreed and reiterated their commitment to exert all efforts to reconcile the remaining PNB and book balances and effect the necessary adjusting entries. An adjustment made in 2017 as evidenced by JV No. 03-17-020 dated March 31, 2018, on items that were resolved. They added that since most of the documents, 10 years and longer, were already in the custody of the COA, the same hinders them to identify manual transactions done earlier than 2008, since it was not supported by the Peachtree accounting system. Relative to this, management has requested COA’s assistance in providing them with relevant documents needed to help them reconcile the account.

Management also committed to seek PNB’s assistance by way of requesting them for the retrieval of past bank statements and any data that may lead them in reconciling the balances. Likewise, the Accounting Section committed to continue to apply procedures and analyze both PNB accounts and its transactions to find accurate adjustments to reconcile the book and bank balances.

28. Gasoline, Oil and Lubricants expenses were incompletely documented for the year totaling P.526 million contrary to Section 4(6) of PD 1445. Moreover, a Monthly Report of Fuel Consumption (MRFC) for all service vehicles were not prepared/submitted contrary to COA Circular No. 77-61, dated September 26, 1977.

Incomplete documentation

28.1. Section 4(6) of Presidential Decree (PD) 1445, provides,

“(1) Claims against government funds shall be supported with **complete documentation.**” (*emphasis ours*)

28.2. Audit of the Gasoline, Oil and Lubricants account revealed the following charges:

Month	Gasoline	Oil & Lubricants	Amount
January	32,337	5,460	37,797
February	35,316	5,332	40,648
March	52,894	0	52,894
April	31,250	0	31,250
May	43,037	2,615	45,652
June	51,081	0	51,081
July	45,181	1,516	46,697
August	57,385	5,931	63,316
September	56,226	0	56,226
October	54,449	3,020	57,469
November	43,073	0	43,073
TOTAL	502,229	23,874	526,103

* Charges from December 1, 2016 to January 15, 2017

** Charges from January 16-31 & February 16-28, 2017

28.3. A copy of the agreement/contract between the MWSS-RO and its supplier for gasoline, oil and lubricants was requested from the concerned management personnel for evaluation and as supporting document for the disbursements. However, gasoline charges which uses fleet cards for vehicles, their credit line is attached with the contract of MWSS-CO. As regards oil and lubricants, no agreement has been submitted.

28.4. Pursuant to existing laws and regulation, competitive bidding shall always be the mode of any procurement activity unless justified by existing conditions.

28.5. Non-compliance with the said regulations may cause the suspension of the payment of gasoline, oil and lubricants. Likewise, failure on the part of the officials concerned to submit the documents and reports mentioned herein shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements of the Commission pursuant to Section 122(2) of PD No. 1445.

Non-preparation/submission of a Monthly Report of Fuel Consumption (MRFC)

28.6. COA Circular No. 77-61, stated that:

*“In order to minimize wasteful, excessive and unnecessary expenditures for fuel consumption of government vehicles, in line with the government's concern and efforts to ensure the effective conservation of energy and proper utilization of government motor transportation, this Commission hereby prescribes the attached **"Manual of Audit for Fuel Consumption of Government Motor Vehicles"** for the guidance of all concerned.”*

28.7. Annex G of the aforementioned Manual provided the format of the required MRFC for all government motor vehicles.

28.8. Verification with management personnel revealed that no MRFC is prepared, thus, rendering useless any control measures by Management, if any, to ensure effective monitoring and proper utilization of fuel consumption.

28.9. **We recommended that Management:**

- a. **Submit a copy of the agreement/contract to support the inclusion of the MWSS-RO in the contract for supply of gasoline by the MWSS-CO;**
- b. **Submit a copy of the agreement/contract between MWSS-RO and its supplier for Oil and Lubricants; and**
- c. **Prepare an MRFC for all its service vehicles.**

28.10. Management agreed with the recommendation and has so far submitted the agreement/contract with the backup/alternate supplier but not with the main supplier of gasoline, oil and lubricants that issued the fleet cards since they are attached only with the MWSS-Corporate Office.

Management also committed, henceforth, to prepare an MRFC and to pursue within the year the procurement of the service provider to supply MWSS-RO of gasoline, oil and lubricant by competitive bidding.

29. **Expenses incurred for Team building and Planning sessions were deemed excessive by ₱225,252.16 representing the excess of actual cost incurred over the allowable amount of ₱1,500/participant pursuant to Section 43, General Provisions, of the FY 2017 General Appropriations Act (GAA).**

29.1. Section 43, General Provisions, of the FY 2017 GAA, states,

*“An amount not **exceeding One Thousand Five Hundred Pesos (₱1,500) in a year**, may be used for the purchase of uniform or costume and other related expenses in the conduct of cultural and athletic activities per employee-participant.”* (emphasis ours)

29.2. While, Section 31, Chapter 5 of Executive Order (E.O.) No. 292, otherwise known as “The Administrative Code of 1987” provides that:

“Section 31. Career and Personnel Development Plan. – Each department or agency shall prepare a career and personnel development plan which shall include provisions among others for employees’ health, welfare, counseling, recreation and similar services.”

29.3. Likewise, the Civil Service Commission (CSC), as the central personnel agency of the Government, under its Resolution No. 101262 dated June 22, 2010, has authorized the conduct of Team Building Activities in line with the aforesaid rationale.

29.4. In CY 2017, MWSS-RO conducted Team Building and Planning Sessions for each regulation areas with cost totaling ₱305,052.16. The summary of expenses incurred for said activity are as follows:

Office Order No.	Office	Place	Inclusive Dates	Toll Fees & Parking Fees	Meals, Snacks, Accommodations, Admission Fees	Total
063 s. 2017	Administration & Legal Affairs (ALA)	Hotel Elizabeth, Baguio City	September 13-15, 2017	3,530.00	110,452.00	113,982.00
064 s. 2017	Financial Regulation Area (FRA)	Microtel Inn & Suites, Baguio City	September 13-15, 2017	2,288.00	51,061.69	53,349.69
073 s. 2017	Customer Service Regulation Area (CSR)	Sol Y Viento Mountain Hot Spring Resort, Pansol Lag.	October 4-6, 2017	687.07	65,496.02	66,183.09
063 s. 2017	Technical Regulation Area (TRA)	Abagatan Hotels, Cavite	December 8-10, 2017	737.00	70,800.38	71,537.38
				7,242.07	297,810.09	305,052.16

- 29.5. Following the afore-cited provision of the GAA, MWSS-RO should have incurred the amount of ₱79,500.00 only instead of ₱305,052.16 or a difference of ₱225,552.16. Detailed computation is shown below:

Office	Actual Cost	No. of Participants	Allowable cost per participant	Total Allowable Cost	Excessive Expenditure
1. ALA	113,982.00	20	1,500.00	30,000.00	83,982.00
2. FRA	53,349.69	9	1,500.00	13,500.00	39,849.69
3. CSR	66,183.09	12	1,500.00	18,000.00	48,183.09
4. TRA	71,537.38	12	1,500.00	18,000.00	53,537.38
TOTAL	305,052.16	53		79,500.00	225,552.16

- 29.6. **We recommended that Management cause the immediate refund of ₱225,552.16 representing the excess of actual cost incurred over the allowable amount of ₱1,500.00/participant pursuant to Section 43, General Provisions, of the FY 2017 GAA.**

- 29.7. Management disagreed with the applicable limit for the subject expenses. According to Management, MWSS-RO's Team Building and Planning Sessions, by name alone, are not in the nature of cultural or athletic activities. They also informed that they are now undergoing activities leading to the ISO certification as required by the Good Governance Commission (GCG). Planning therefore is a fundamental continuity activity required by any and all ISO certifying bodies and the management deemed it best to conduct formal planning sessions outside the office premises to achieve maximum benefits such as preparation of Strategy Map, Individual Performance Report (IPCRs) Office performance Commitment Report (OPCR), Corporate Operating Budget, Annual Procurement Plan and/or revisions/addenda thereon, Mid-year Assessment, Proposed Program for the next year, Performance Evaluation Scorecard, among others.

Management cited published Annual Procurement Plans (APPs) of several government agencies to prove its point on the reasonableness of the funds allocated and used for its Team Building Activities (TBAs) and Planning Sessions

which according to them approximates what is called “generally accepted industry practice” and “what is usual”.

Management likewise invokes the presumption of regularity in the performance of official duties especially so that the contracts with the actual venues of the activities were entered into in accordance with RA 9184, specifically Annex “H” of the 2016 Revised Implementing Rules and Regulations.

Finally, moving forward, management committed, without necessarily conceding the applicability of Section 43 of the CY 2017 GAA, to endeavor thru best efforts and within practical possibility, to limit the cost at P1,500/day/participant in the conduct of their TBAs and Planning Session in the future.

29.8. We recognized justification in the conduct of TBAs and Planning Sessions, however, we stand by our recommendation that the same be conducted with due regard to budget limitations provided under existing rules and regulation. Expenditures incurred in the conduct of TBAs should not be made in outright disregard of what is prudent and reasonable.

30. Payment of Overtime (OT) claims totaling ₱148,275.79 for CY 2017 were without the requisite documentary requirements contrary to COA Circular 2012-001 and Section 4(6) of P.D. 1445. Moreover, overpayment of OT claims totaling P3,698 were noted in the evaluation of supporting documents.

30.1. Item 5.10 of COA Circular 2012-001, dated June 14, 2012, enumerated the documentary requirements for Overtime payment, as follows:

- Overtime authority stating the necessity and urgency of the work to be done, and the duration of overtime work;
- ***Overtime work program;***
- ***Quantified Overtime Accomplishment duly signed by the employee and supervisor; and***
- Certificate of service or duly approved DTR.

30.2. While, Section 4(6) of P.D. 1445 states that *Claims against government funds shall be supported with complete documentation.*

30.3. Several officers and employees were paid Overtime totaling P148,275.79 without the necessary Overtime Work Program and Quantified Overtime Accomplishment duly signed by the employee and supervisor, as required under COA Circular 2012-001 and Section 4(6) of P.D. 1445, detailed as follows:

<i>Name</i>	<i>Purpose</i>	<i>Amount</i>	<i>Remarks</i>
Employee 1	<ul style="list-style-type: none"> • Network Maintenance, troubleshooting • Network maintenance, configuration of manageable switch, update of Website content management System, Repair and Maintenance of computers 	16,960.83	DV claims with no attached OT Work Program and Quantified OT Accomplishment
Employee 2	Review of MOA between MWSS and PIA Re: CSR Survey	3,574.14	-do-

Name	Purpose	Amount	Remarks
Employee 3	<ul style="list-style-type: none"> • Finalize reports, KPI/BEM Guide Doc Revision/ Updating • Data Encoding and 5s 	3,166.90	-do-
Employee 4	<ul style="list-style-type: none"> • CAPEX Validation of pressure Reports • Filing of documents for TRA/OMD Incoming and outgoing, 5S 	3,714.75	-do-
Employee 5	<ul style="list-style-type: none"> • CAPEX Validation of pressure Reports • Filing of documents for TRA/OMD Incoming and outgoing, 5S 	3,882.22	-do-
Employee 6	Year-end documentary COA Compliance	4,884.48	-do-
Employee 7	Review and Consolidation of the 2016 Annual KPI + PFMs Evaluation Report	3,216.46	-do-
Employee 8	<ul style="list-style-type: none"> • To attend Rizal Drinking WQMC on April 28, 2017 for the 1st quarter 2017 meeting. • Finalize reports, KPI/BEM Guide Doc Revision/ Updating • Data Encoding and 5s 	5,567.94	-do-
Employee 9	<ul style="list-style-type: none"> • Preparation of Alphalist of Employees (BIR Form 1604CF) • Certificate of Compensation & Tax Withheld for CY 2016 • Attend to matter/paperworks pertaining to urgent fill-up of vacant positions • Prepare NOSA/ ATA for possible implementation of EO36 • Annualization of employee's gross compensation/ tax withheld 1st sem CY 2017 • Annualization of employee's gross compensation/ tax withheld • NOSA Preparation for SSL4 • Audit Work for SSL 4/ Differential Payroll • Preparation of/ Updating of employees data record/ schedule of remittance to comply with the GSIS EBCS 100% threshold. Completing of documents on DVs for COA compliance. • GSIS ARA Updating due to SSL 4 • Year-end documentary COA Compliance 	32,554.17	-do-
Employee 10	<ul style="list-style-type: none"> • NOSA Preparation for SSL4 • Audit Work for SSL 4/ Differential Payroll • Preparation of/ Updating of employee's data record/ schedule of remittance to comply with the GSIS EBCS 100% threshold. Completing of documents on DVs for COA compliance. • Year-end documentary COA Compliance 	5,733.25	-do-
Employee 11	<ul style="list-style-type: none"> • Assist Psychometrician in the conduct of IQ Exam • Attend to pending work • Authority to render OT 8-4 pm • Attend to matter/paperworks pertaining to urgent fill-up of vacant positions • Prepare NOSA/ ATA for possible implementation of EO36 • Annualization of employees gross compensation/ tax withheld 1st sem CY 2017 • Attend to PSB/hiring requirements/ minutes/ appt papers • Filling-up requirements, NOSA GSIS ARA, Updating service record due to SSL4 	22,786.67	-do-

Name	Purpose	Amount	Remarks
Employee 12	<ul style="list-style-type: none"> • Preparation/ Retrieval of documents Re: Rate Audit • Preparation of docs Re: Pubcon Documentation - Baras & Tanay • Pubcon Documentation Malabon & Caloocan • Updating of OCR's Database/ Scanning of Documents • Updating of OCR files/ database • Preparation of Board meeting materials • Sorting/ scanning of photos (for RO Anniversary) • Retrieval of documents (2004-2013) requested by Concessionaires and past rate Rebasing documents • Preparation of documents for the RO Water Forum • Preparation of documents- PCA Case 2017-01: Manila Water Company, Inc. v. The Republic 	39,959.50	-do-
Employee 13	Prepare Leader Training Materials (QMS)	1,280.36	-do-
Employee 14	<ul style="list-style-type: none"> • Finalize reports, KPI/BEM Guide Doc Revision/ Updating • Data Encoding and 5s 	994.12	-do-
TOTAL		148,275.79	

30.4. Worth mention is that in Item 3.0 of CSC DBM Joint Circular No. 1 s. 2015, dated November 25, 2015, the General Policies on Overtime Services, provides:

*“3.1 The rendition of overtime services shall be authorized **only when extremely necessary**, such as when a particular work or activity cannot be completed within the regular work hours and that non completion of the same will: a) cause financial loss to the government or its instrumentalities; b) embarrass the government due to its inability to meet its commitments; or c) negate the purposes for which the work or activity was conceived.”*

3.2 As a general rule, the remuneration for overtime services shall be through CTO, in accordance with the guidelines under the CSC-DBM Joint Circulars No. 2, s. 2004 and No. 2-A. s. 2005.

*3.3 The payment in cash of overtime services through Overtime Pay **may be authorized only in exceptional cases** when the application of CTO for all overtime hours would adversely affect the operations of the agency.” (emphasis ours)*

30.5. Also, Item 10.0 of the same Joint Circular enumerated the Limitations on Overtime Services and Overtime Pay, to wit:

“x x x

*10.2 **One-hour breaks shall be observed for breakfast, lunch,** or supper and rest, and every 3 hours of continuous overtime service, or as may be necessary.*

10.3 *Rendering overnight overtime service shall be resorted to only when extremely necessary. **No employee shall be allowed to render overnight service for more than 2 consecutive nights**, for health reasons and to ensure employee productivity.” (emphasis ours)*

30.6. Moreover, audit of documents supporting the disbursement showed several lapses/errors resulting to the overpayment of OT claims totaling ₱3,698, as follows:

Name	Reference	Amount	Should be OT Pay	Excess for Refund	Audit Observation
Employee 1	RO-17-20 (02/17 P-10)	544.53	526.95	17.58	Overpayment on January 23, 2017
	RO-17-20 (02/17 P-10)	586.24	498.41	87.83	Overpayment on January 26, 2017
	RO-17-180 (12/17 P-113)	1,254.12	919.71	334.41	Overpayment of actual hours rendered on November 11, 2017
	RO-17-20 (02/17 P-10)	265.68	0	265.68	Rendered Overtime for more than two (2) consecutive nights on January 25, 2017
	RO-17-36 (03/17 P-20)	721.93	0	721.93	Rendered Overtime for more than two (2) consecutive nights on February 9 and 24, 2017
	RO-17-180 (12/17 P-113)	599.19	0	599.19	Rendered Overtime for more than two (2) consecutive nights on November 8 and 24, 2017
Employee 2	RO-17-180 (12/17 P-113)	1,154.54	0	1,154.54	No Authority to render Overtime on November 8 and 24, 2017
Employee 3	RO-17-180 (12/17 P-113)	516.84	0	516.84	No Authority to render Overtime on November 30, 2017
TOTAL		5,643.07	1,945.07	3,698.00	

30.7. **We recommended that Management:**

- a. **Comply with the General Policies and Limitations on Overtime Services and Overtime Pay cited under Items 3.0 and 10.0 of Joint Circular No. 1 s. 2015 dated November 25, 2015;**
- b. **Comply with the documentary requirements mentioned under Item 5.10 of COA Circular 2012-001 dated June 14, 2012, and**
- c. **Remind responsible employees to exercise diligence in the evaluation of documents supporting OT claims to ensure proper payment for allowable services rendered and refund as necessary.**

- 30.8. Management assures that in the evaluation of all documents, including but not limited to overtime claims, due diligence is observed, as a matter of policy. They maintained that there may be lapses committed, but the overriding intent is to comply with the COA rules.

Management added that the preferred mode of compensating OT, which is CTO, would not be practical and advantageous if applied to the drivers, as it would result to absence on some days, and cause deficiencies on other times, the likelihood of which would only cause disruption in the performance and delivery of official functions and services. Management committed to consider implementing CTO in lieu of overtime payment, except for drivers, staffs under the Finance Section, and other employees under exceptional cases. On the issue of excess/overtime claims, Management committed to submit justification as soon as the documents, currently being reviewed and analyzed, are returned to them.

- 30.9. We will monitor Management commitment or improvement on the observations made and will evaluate all documents submitted to us for sufficiency and propriety.

31. **Excess monthly mobile phone charges by officials and employees totaling ₱79,751.12 remained unpaid/outstanding as of year-end, contrary to MWSS-CO Memorandum Circular No. 06-2007 and Section 4(2) of PD 1445.**

- 31.1. The MWSS Regulatory Office (RO), through its Executive Committee meeting dated 6 September 2007, adopted the MWSS Corporate Office Memorandum Circular No. 06-2007 dated July 2, 2007 which set the guidelines on the use of cellular phones provided by the Office. Further, Section 4 of the aforementioned memorandum circular established the authorized rates for the key officials entitled to cellular phones, to wit:

“4.1 The following expenditure limitations for monthly charges shall be observed:

Official	Amount
Administrator, Senior Deputy Administrator, Board of Trustees, and Deputy Administrators	₱5,000.00
Department Managers and specifically designated officials of other government agencies	₱2,500.00

4.2 All charges in excess of the foregoing shall be for the sole account of the official concerned.” (emphasis ours)

While, Section 4(2) of PD 1445 states that *“Government funds or property shall be spent or used solely for public purposes.”*

- 31.2. Audit of the Telephone Expenses – Mobile account for CY 2017, showed the non-payment of the excess of the monthly mobile phone charges over the limitations set forth by the above-mentioned agency policy totaling ₱79,751.12 as follows, with details in Annex E:

Designation	Billing Period	For refund
1. Deputy Administrator	October - November 2017	1,004
2. Department Manager	November 2016 to April 2017	4,321
3. Acting Department Manager	April 2015 – November 2017	23,154

Designation	Billing Period	For refund
4. Acting Department Manager	December 2016 – July 2017	1,712
5. Department Manager	November 2016- November 2017	8,948
6. Acting Department Manager	November 2016- December 2016	312
7. Department Manager	November 2016 – March 2017	545
8. Department Manager	November 2016 – November 2017	8,443
9. OIC - Department Manager	December 2016 – June 2017	683
10. Head Technical Assistant	September 2017 – November 2017	4,463
11. Technical Assistant	April 2017 – November 2017	6,472
12. Technical Assistant	November 2016 - November 2017	5,009
13. Technical Assistant	November 2016 – November 2017	9,611
14. Technical Assistant	November 2016 – September 2017	5,075
Total		79,751

31.3. Included in the above table were payments for the mobile phone billing of a Supervising Water Utilities Regulation Officer for the periods prior to his designation in an acting capacity on March 23, 2017 as Department Manager for Water Quality and Control. Also, payments for the mobile phone billing of a Technical Assistant for Technical Regulation Area was charged to MWSS-RO while he was on leave without pay.

31.4. **We recommended that Management:**

- a. **Immediately refund the ₱79,751 from various officers and employees whose mobile charges exceeded their limit; and**
- b. **Establish its own mobile phone policy for officers/employees based on justifiable needs and exercise prudence in the use of public funds in accordance with Section 4(2) of PD 1445.**

31.5. Management took exception to the finding that the subject excess mobile phone charges were “unpaid/outstanding as of year-end” which implies that they have been previously notified where in fact it is the first time they have learned about the issue. Moving forward, management requested that prompt and timely notifications on findings related to possible refunds by MWSS-RO personnel to facilitate resolution and prevent accumulation of the amount consistent with the Qualitative Characteristics of Financial Reporting under IPSAS, specifically on Timelines.

Overall, management agreed with the recommendation but respectfully requested for reconsideration in the computation of the refundable excess mobile phone charges totaling only to P61,073.60 as presented in a separate report/analysis.

Management also committed to establish its own mobile phone policy which could serve as the basis for the refund contemplated in the audit observation.

31.6. The administration or accounting personnel should have applied the policy and avoided issuance of the observation. Validation of the revised computation was found to be in order. Accordingly, the amount of P61,073.60 is hereby recommended to be refunded immediately as it present clear excess phone charges under the current policy of the MWSS-RO.

32. **Total proportionate amount of ₱49,142.06 was not deducted from the Transportation Allowance (TA) of 15 agency officials notwithstanding their frequent use of motor vehicles during the year, contrary to COA Circular No. 2000-005 dated October 4, 2000.**

32.1. Representation Allowance and Transportation Allowance (RATA) are benefits/allowances distinct from salary and entitlement thereto is limited to officials identified in the General Appropriations Act (GAA) and those specifically determined by the Department of Budget and Management, who, by the very nature of their offices and functions, incur representation and transportation expenses.

32.2. Section 2.3 of COA Circular No. 2000-005 dated October 4, 2000, provides,

“Whenever an official or employee entitled to transportation allowance uses the government vehicle issued to his office, a corresponding proportionate reduction on his transportation allowance shall be made.”

32.3. Following is a summary of officials with corresponding amounts to be refunded from their RATA for using motor vehicles, with details in Annex F:

	Position	Total amount
1	Chief Regulator	1,818.18
2	DA - Financial Regulation Area/ Chief Regulator	8,204.55
3	DA, Administration & Legal Affairs	5,727.26
4	DA, Technical Regulation Area	6,545.44
5	DA, Customer Service Regulation	818.18
6	DA, Customer Service Regulation	2,863.63
7	DM - Tariff Control & Monitoring/ Acting DA, Financial Regulation	3,178.97
8	DM, Administration	2,045.46
9	Acting DM, Legal Affairs	1,363.64
10	Acting DM, Water Quality	6,477.29
11	Acting DM, Operations Monitoring	4,090.92
12	DM, Complaints	1,704.55
13	DM, Metering Efficiency	2,045.46
14	Acting DM, Administration	1,022.73
15	Acting DM - Public Information Department	1,235.80
		49,142.06

32.4. **We reiterated our recommendation for Management to deduct from succeeding claims of TA the proportionate amount of ₱49,142.06 that should have been deducted from 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.**

32.5. During the exit conference, Management did not agree with the computation of the proportionate reduction. Management opined that if more than one official who receives RATA shared the use of vehicle for a certain trip, the deduction should only be charged against the higher ranking official, or just one of the officials. Management further believes that their current practice encourages carpooling which will save cost for the government.

32.6. Management also pointed out that there is no clear guidelines as to how the proportionate deduction is to be computed.

32.7. We stand by our recommendation to deduct from succeeding claims of TA the proportionate amount computed against all concerned officials who frequently use MWSS-RO's motor vehicles. In a recent decision, under CGS-Cluster 3 Decision No. 2018-17, dated May 29, 2018, MWSS-RO appeal on a similar matter for CY 2016 was denied.

33. Miscellaneous/Representation expenses totaling P14,426.81 were charged to the Maintenance and Other Consumable (account 759) rather than Extraordinary and Miscellaneous expenses (Account 883) contrary to Section 42 of the General Provisions of the General Appropriations Act (GAA) for FY 2017 and COA Circular No. 20016-001, dated January 3, 2006.

33.1. The Maintenance and Other Consumable account is mainly used for expenses related to MWSS-RO's water sampling activities. However, analysis of the CY 2017 transactions for the account revealed charges pertaining to miscellaneous/representation expenses totaling P14,426.81, as follows:

PCV Date	Description	Amount	Payee
1/13/2017	Ground coffee	694.80	Rustan's Supermarket
2/20/2017	Ground coffee	1,019.90	Kareila Mgt. Corporation
9/07/2017	Coffee, creamer and sugar	1,009.90	Landmark Supermarket
9/11/2017	Grocery supplies	933.50	Maynilad Water Services Cooperative
8/19/2017	Grocery	930.10	Puregold
9/28/2017	Grocery - OCR	998.00	Puregold
10/04/2017	Grocery - OCR	1,000.00	Grocery - OCR
10/13/2017	Grocery - OCR	818.45	Puregold
10/13/2017	Grocery - OCR	110.00	Puregold
10/24/2017	Grocery - OCR	981.50	Puregold
10/26/2017	Grocery - OCR	995.55	Puregold
11/10/2017	Grocery	638.00	Maynilad Water Services Cooperative
11/10/2017	Grocery	361.50	Maynilad Water Services Cooperative
11/17/2017	Grocery	989.60	Puregold
11/24/2017	Grocery	349.50	Puregold
11/24/2017	Grocery	597.00	Maynilad Water Services Cooperative
12/05/2017	Grocery	999.50	Maynilad Water Services Cooperative
12/20/2017	Grocery	1,000.01	Maynilad Water Services Cooperative
TOTAL		14,426.81	

33.2. Such expenses should have been appropriately charged against the Extraordinary and Miscellaneous Expense allocation of the officials as provided under Section 42, General Provisions of the General Appropriations Act for FY 2017 and emphasized in the scope and coverage paragraph of COA Circular No. 2006-001, dated January 3, 2006, which enumerates the appropriate use of extraordinary and miscellaneous expenses, to wit:

*"x x x... It shall cover extraordinary and miscellaneous expenses and other similar expenses, such as discretionary, business development expenses, **representation expenses and the like**, provided that the nature or purpose of said expenditures pertain to any of the following:*

- a. *Meetings, seminars and conferences;*
- b. *Official entertainment;*
- c. *Public relations; x x x" (emphasis ours)*

33.3. We recommended that management:

- a. **Reclassify the amount of P14,426.81 from Maintenance and Other Consumable (account 759) to Extraordinary and Miscellaneous expenses (account 883) and allocate the amount to the office of the official that incurred the expense with consideration of the statutory limits thereon; and**
- b. **If determined to have exceeded the limit, cause the immediate refund of the Extraordinary and Miscellaneous expense otherwise a Notice of Disallowance shall be issued accordingly.**

33.4. Management commented that the amount of P14,426.81 pertained to grocery items such as coffee, creamer, sugar, biscuits, candies etc., to be served during meetings or consultations with concessionaires, media, consumers, as among others. Management added that the charging of such expenses to the Miscellaneous Representation is not contrary to Section 43 of the General Provision of GAA 9 and COA Circular No. 2006-001 base on the following arguments:

- (a) The MWSS-RO consistently incorporates an item for such purpose in its Corporate Operating Budget (COB) that it submits annually to the Department of Budget and Management (DBM) for approval, and is incorporated in its CY 2017 Annual Procurement Plan – Common Used Supplies (APP-CUS);
- (b) MWSS-RO's actual utilization did not exceed the DBM-approved ceiling for MOOE for CY 2017.
- (c) Most government offices serve coffee, etc. during meetings. This is customary, and is undeniably part of Philippine culture and Filipino hospitality. Thus, the practice is deemed both necessary and desirable as can be gleaned in an attached Philippine Deposit Insurance Corporation (PDIC) and Department of Social Work and Development (DSWD) documents pertaining to the quotation, award, purchase and procurement of supply of coffee and creamer; and
- (d) The Office of the Chief Regulator has been receiving and responding to numerous visitor's concerns coming from the different sector of society such as mass media, academe, consumer group/organizations and local and foreign government agencies and non-government organizations, among other. Meanwhile, the Customer Regulations Area is responsible in attending to customer complaints and in the process, regular conducts of conciliation/mediation meetings with complainants and the concessionaires. Other regulation areas are also conducting meeting with the concessionaires in resolving regulatory issues and concerns. In all of these meetings/activities, there are more or less 300 individuals (average) being attended to by the MWSS-RO on a monthly basis where coffee and biscuits are served.

- (e) Moving forward, Management committed to procure the coffee, sugar, creamer and biscuits, among others, tagged as APP-CUS in the CY 2018 APP of the MWSS-RO, in bulk and in compliance with RA 9184 and its Implementing Rules and Regulations.

33.5. We stand by our recommendation to appropriately reclassify the charges as Extraordinary and Miscellaneous expense (EME) and determine if it has exceeded statutory limits or not. If so, a refund from the concerned official must be demanded otherwise we will issue a Notice of Disallowance (ND).

34. Use of government vehicles for Shuttle Services by designated drivers where the vehicles are presumably parked in the driver residences even on weekends, contrary to Item 5 of COA Circular No.75-6A dated December 15, 1975.

34.1. The four (4) drivers of MWSS RO are mainly used for its Regular Water Sampling activities and for Shuttle Service of personnel (with Overtime pay), for the following routes:

Name	Purpose	Route	Residence/Garage/ Parking Area
Driver 1	Shuttle Service	MWSS-Katipunan Ave.- Philcoa, QC Hall, Quezon Ave., Welcome Rotonda, A. Bonifacio, EDSA, Bagong Barrio, Caloocan City (PM) Bagong Barrio Caloocan City, EDSA, A. Bonifacio, Welcome Rotonda- Quezon Blvd. – Philcoa – MWSS (AM)	Caloocan
Driver 2	Shuttle Service	MWSS-Katipunan Ave.-Boni Serrano Ave.– EDSA–Crossing– Boni Ave.-Guadalupe-Coastal Road- Molino Subd., Bacoar, Cavite (PM) Molino Subd., Bacoar Cavite- Coastal Road, EDSA, Magallanes- Boni Ave. – Crossing- Quezon Blvd.- Philcoa-MWSS (AM)	Cavite
Driver 3	Shuttle Service	MWSS premises to Commonwealth Ave., Regalado Ave., Mindanao Ave., Robinson's Nova. Mall, Dela Costa Homes 2 North Caloocan/ Rodriguez Rizal; Vice-versa.	Montalban
Driver 4	Shuttle Service	MWSS premises to Commonwealth Ave., Regalado Ave., Mindanao Ave., Robinson's Nova. Mall, Dela Costa Homes 2 North Caloocan/ Rodriguez Rizal; Vice-versa.	Montalban

34.2. However, we noted that the vehicles used as Shuttle Service stayed with the drivers even on weekends, based on the trip manifests attached to the trip tickets and as confirmed by the Property Officer. Such practice is prone to the possibility that the vehicles may be used for non-official activities and its gasoline

misappropriated, in clear violation of Item 5 of COA Circular No.75-6A dated December 15, 1975, which states:

“(5) Keeping in Government Garages -

*All government motor vehicles are required, **when not in use, to be kept in the garage provided thereof by the bureau or office or entity to which they belong except when in use for strictly official business outside office hours.** (Section 13, P.D. 733).” (emphasis ours)*

- 34.3. Further, COA Circular No. 84-238, dated November 6, 1984, requires further safeguard measures for parking of government motor vehicles, to wit:

“xxx To ensure against possible loss through theft, no government motor vehicle should be left unguarded in parking places not designated as such by government agencies. xxx”

- 34.4. **We recommended that Management comply with Item 5 of COA Circular No.75-6A dated December 15, 1975 and COA Circular No. 84-238 dated November 6, 1984 which provides safeguard to government motor vehicles.**
- 34.5. Management commented that there are some government agencies that allow shuttle vehicles to be parked with the drivers' residences on weekends. Management believes that it is impractical to return the vehicle to the office in the evening and take it again in the morning to fetch the employees. Likewise, Management added, that the odometers are regularly monitored to ensure that it is not being used by the drivers for personal use during the weekend.
- 34.6. We stand by our recommendation for management to comply with the COA Circular and adopt/implement practical and feasible arrangements to ensure that the motor vehicles are properly safeguarded. We will monitor Management's progress on the matter.

GAD PLANS & PROGRAMS:

35. **The MWSS RO's GAD Plans and Budget (GPB) of ₱0.823 million representing 0.24 percent of its CY 2017 Corporate Operating Budget (COB) was not compliant with the provisions of Sections 6 and 8 of PCW-NEDA-DBM Joint Circular No. 2012-01. Likewise, optimum use of GAD funds was not achieved because the planned activities were not fully accomplished.**
- 35.1. Section 6 of the aforementioned Joint Circular requires that at least 5 percent of the agency budget shall be allocated to GAD activities. Further, Section 8 provides the submission of the GPB to the Philippine Commission on Women (PCW) for review and endorsement to DBM.
- 35.2. Verification revealed that the GAD budget for the year totaled ₱823,000 or a mere 0.24 percent of the total approved COB of MWSS-RO of ₱344,433,000 which is not compliant with Section 6 of the Joint Circular. This issue has always been the case every year, hence a reiteration of prior year's observation.

- 35.3. PCW Memorandum Circular No. 2015-04 required the submission of CY 2017 GPB's from all government agency by February 1, 2016, while COA Circular No. 2014-001 mandated that the COA Audit Team be furnished a copy *within five (5) working days from the receipt of the approve plan from the PCW*. However, records showed that MWSS-RO was unable to upload its 2017 GPB to the Gender Mainstreaming Monitoring System or GMMS (an online system for automating the GPB and GAD AR submission of the government agencies) until February 28, 2018. Though the delay may be attributed mainly to MWSS-RO's difficulty in uploading the file to the GMMS, a copy of the submitted GPB was not furnished to this Office at least within a reasonable time. The CY 2017 GPB was only provided on March 15, 2018 upon submission of the equally delayed GAD AR.
- 35.4. Relative to the foregoing, PCW Memorandum Circular No. 2017-03 also set the deadline of January 31, 2018 for all government agencies to submit to the PCW (thru GMMS) its FY 2017 GAD Accomplishment Report (GAD AR). However, Management failed to submit its GAD AR for FY 2017 while this Office's copy was received only on March 15, 2018, contrary to Item V (Responsibility of the Audited Agency) of COA Circular No. 2014-001, dated March 18, 2014, which mentioned, thus, *xxx Likewise, a copy of the corresponding Accomplishment Report shall be furnished the said Audit Team within five (5) working days from the end of January of the preceding year.*
- 35.5. **We reiterated our recommendation for management:**
- a. **To improve efforts to mainstream the Gender and Development (GAD) programs, activities and projects to the regular activities of the agency in order to attain the GAD budget minimum requirement of at least five percent (5%) of its COB; and**
 - b. **Moving forward, submit to this Office copies of pertinent GPB and GAD AR whether uploaded to the GMMS on time or not, as reference in audit, in compliance with COA Circular 2014-001.**
36. **Attributed program expenditures totaling P1,202,991.00 have no clear linkage to any of MWSS-RO's identified Gender Issue and/or GAD mandate or major programs, contrary to Section 6.4 of PCW-NEDA-DBM Joint Circular No. 2012-01.**
- 36.1. Section 6.4 of PCW-NEDA-DBM Joint Circular No. 2012-01 allows for Attributing agency major programs to the GAD budget and discusses in detail the process of attribution. While Annex B of the same Circular provides Guide in Completing the GAD AR Template.
- 36.2. Analysis of the CY 2017 GAD AR showed activities with total expenditure of P1,202,991.00 were reported as attributed programs, but with no clear Gender Issue and/or GAD mandate or major program attribution link to that of MWSS RO.
- 36.3. At the onset the expenditures, aside from having no clear linkage to MWSS-RO's identified Gender Issues and/or GAD mandate and major programs, appears to have been incurred way above its proposed budget bringing to fore the propriety of the incurred costs. Worth mention is that in Item IV (B), Financial and

Compliance Audit of GAD, of COA Circular 2014-001, provides guidelines in the audit of GAD funds, thus,

*“1. Audit of specific accounts on GAD (salaries, wages, expenditures, etc.) shall be in accordance with existing guidelines on financial and compliance audit. In particular, **the rules and regulations on irregular, unnecessary, excessive, extravagant and unconscionable expenditures shall be observed.**”* (emphasis ours)

- 36.4. **We recommended that management comply with Section 6.4 of PCW-NEDA-DBM Joint Circular No. 2012-01 in the process of attributing agency major programs to the GAD budget and COA Circular 2014-001.**

37. Inefficiencies in the implementation of the Organization-Focused Activities as shown in the CY 2017 GAD AR

- 37.1. The GAD AR for CY 2017 listed 27 Organization-Focused Activities and three (3) Attributed Programs or a total of 30. Of these, 17 activities have an approved budget, while, 13 has none. Out of the 17 activities with approved budget, only eight were implemented. However, of the 13 with no approved budget, 12 have actual results reflecting on MWSS-ROs' *inefficiency in planning, implementation and commitment in addressing gender related issues.*
- 37.2. **We recommended for Management to revisit or improve the planning and implementation of MWSS-RO's GAD activities to achieve its intended objectives.**
- 37.3. Management agreed with the recommendations and committed to revisit and review efforts to mainstream its GAD programs, activities and projects to its regular activities as well as in attributing programs to identified Gender Issues and/or GAD mandate.

Management likewise committed to motivate and encourage a wider participation of MWSS-RO personnel on top of their regular functions for GAD related planning and implementation of the MWSS-RO's GAD activities.

Finally, management requested assistance in establishing the threshold level of expenditures for such activities that can drum-up enthusiasm of the MWSS-RO personnel to achieve its intended objectives in view of the recent disallowance issued against GAD expenses that were deemed “extravagant and unnecessary.”

- 37.4. We recognize Management's renewed commitment to improve its GAD planning and implementation activities as we continue to monitor all GAD related activities for CY 2018. On the issue of the establishment of threshold amounts for such activities, we refer to the definition of what are unnecessary and extravagant expenditures as articulated in COA Circular No. 2012-03 dated October 29, 2012, *“Unnecessary Expenditures” pertains to expenditures which could not pass the test of prudence or the diligence of a good father of a family, thereby denoting non-responsiveness to the exigencies of the service. Unnecessary expenditures are those not supportive of the implementation of the objectives and mission of the agency relative to the nature of its operation. This would also*

*include incurrence of expenditure not dictated by the demands of good government, and those the utility of which cannot be ascertained at a specific time. An expenditure that is not essential or that which can be dispensed with without loss or damage to property is considered unnecessary. The mission and thrusts of the agency incurring the expenditures must be considered in determining whether or not an expenditure is necessary. While, “**Extravagant Expenditures**” signifies those incurred without restraint, judiciousness and economy. Extravagant expenditures exceed the bounds of propriety. These expenditures are immoderate, prodigal, lavish, luxurious, grossly excessive, and injudicious.*

D. Value for Money Audit – Corporate Office

Security Services

38. Deficiencies in the payment of security services rendered by Catalina Security Services, Inc. totaling P25.070 million were noted contrary to the provisions of the contract, to wit:

- a. Salaries of the Detachment Commander totaling P239,793 were paid by MWSS which should have been free of charge and at no cost per Bid Form (integral part of the Security Contract)**
- b. No proof of remittances of the Social Security Services (SSS), Home Mutual Development Mutual Fund (Pag-IBIG) and Philippine Health Insurance Corporation (PHIC) deductions/ contributions of 31 security guards; and**
- c. Individual time sheet/record of the security personnel do not show the actual time of services rendered.**

The salaries totaling P3.285 million of security personnel who were assigned at Common Purpose Facilities were shouldered by MWSS instead of the Concessionaires.

Likewise, private vehicles were allowed to park in the Basketball Court and Covered Parking Areas designated for MWSS Officers and Employees despite the presence of the security guards.

38.1. A three-year Contact for Security Services was entered into by and between MWSS and Catalina Security Agency (Catalina) on December 12, 2014 for a contract price of P24,360,713 annually, subject to adjustment during the contract implementation for:

- a. Increase in minimum daily wage pursuant to law or new wage order issued after date of bidding;**
- b. Increase in taxes; and**
- c. If during the term of the contract the Procuring Entity sees the need for a decrease in the number of guards.**

Results of our audit are as follows:

a. On the paid salaries of the Detachment Commander

38.2. The Bid Form, an integral part of the security contract, states that:

*“The Detachment Commander shall be deployed **FREE OF CHARGE**, as per DBS 34.2(a). His wage shall be paid in accordance with existing wage laws by our agency at no cost to MWSS.”*

Verification of the payments made by MWSS to Catalina showed that the salaries of the Detachment Commander for the period January to November 2017 totaling P239,793 were billed by Catalina which should have not been paid by MWSS as provided in the above mentioned bid form.

b. On no proof of remittances of the SSS, Pag-IBIG and PHIC contributions

38.3. Section 9.1.3.2 of COA Circular No. 2012-001 requires submission of the proof of remittance to concerned government agency and/or GOCCs as one of the documentary requirements in the payment of general support services.

Republic Act No. 8282, otherwise known as Social Security Act of 1997, requires the compulsory coverage of workers. It is mandatory for all employers to deduct each month from the monthly salary of the employees the SSS. In turn, employers must provide counterpart contributions.

Section 6 on Fund Coverage of Republic Act No. 9679, otherwise known as Home Development Mutual Fund Law of 2009, states that coverage in the Fund shall be mandatory on all employees covered by the SSS and the GSIS.

Section 6 on Mandatory Coverage of Republic Act No. 10606, otherwise known as the National Health Insurance Act of 2013, states that all citizens of the Philippines shall be covered by the National Health Insurance Program.

38.4. Examination of the remittances to the SSS, Pag-IBIG and PHIC showed that there were 31 security personnel whose mandatory monthly deductions were not remitted to the respective government agencies, two (2) of which were from January to November 2017, viz:

Guard Post	No. of Guards	No proof of remittances			Period Covered
		SSS	Pag-IBIG	PHIC	
MWSS Umiray Transbasin Project	1	X	X	X	January to November 2017
MWSS Main Office and Balara Filtration	1	X	X	X	January 2017
	5	X	X	X	February 2017
	1			X	January 2017
		X	X	X	February 2017
	1	X	X	X	January and February 2017
	1	X	X	X	February and July 2017
	1		X		March 2017
	1	X	X	X	May 2017
			X		June 2017
		X			August 2017
	1	X		X	June 2017

	2	X	X	X	June 2017
	1	X			September 2017
		X	X	X	October and November 2017
La Mesa Dam, Right of Ways and Macabud Detachment	2	X	X	X	January 2017
	2	X	X	X	January and February 2017
	2	X	X	X	February 2017
	1	X	X	X	April 2017
	1	X	X	X	May 2017
	3	X	X	X	August 2017
	1	X	X	X	January to November 2017
Ipo Dam Detachment, Norzagaray, Bulacan	1	X	X	X	April 2017
MWSP III Housing Project Roving, Laiban Dam Detachment	1	X	X	X	October and November 2017
Wawa Dam Detachment, Montalban, Rizal	1			X	February 2017
Total	31				

On the other hand, one (1) security personnel who did not render services from January to November 2017 was with mandatory contributions to SSS, Pag-IBIG and PHIC for the same period.

Non-deduction and remittance of the mandatory contributions are punishable by law and will also deprive the security personnel from the benefits attached to such contributions.

c. On the questionable time sheets/record

- 38.5. One of the required documents in the payment of security services is the record of attendance/service pursuant to COA Circular No. 2012-001 dated June 14, 2012.

We noted that the individual time sheets/attendance of the Catalina security personnel only showed the scheduled time of duty to their assigned postings and not the actual time of services rendered. This practice poses doubt on the validity of claims against government funds.

d. On existence of security personnel in MWSS properties under Common Purpose Facilities

- 38.6. Common Purpose Facilities (CPF), as defined under Article 1 of the CA, means the Facilities upstream of Angat dam established under the UATP project and the Facilities downstream of the auxiliary hydropower plant of Norzagaray, Bulacan, including the Ipo reservoir facilities, the Ipo-Bicti tunnels, Bicti basins and Bicti-Novaliches aqueducts, up to and including the Novaliches portal interconnection Facilities. The responsibility of the Concessionaires in respect of the CPF are:

- i. to operate, maintain, renew and, as appropriate, decommission the Common Purpose Facilities, in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and

sewerage system in the Service Area is capable of meeting the service obligations (as such obligations may be renewed from time to time by the MWSS-RO following consultation with the Concessionaire);

- ii. to alter, modify, repair and make additions, as may be necessary to the CPF; and xxx.

La Mesa and Quirino Guesthouses

- 38.7. Four (4) Catalina security personnel, with a total annual salary of P1,087,149, were assigned at La Mesa and Quirino guesthouses from 2:00 pm to 10:00 pm and 10:00 pm to 6:00 am. The guesthouses were located within La Mesa Dam area, a CPF.

Inquiry with the PMD personnel disclosed that the above guesthouses were no longer operational though at times these were used by the two concessionaires: Manila Water Company, Inc. and Maynilad Water Services, Inc.

Considering that the guesthouses were within CPF area and that no income has been generated, MWSS may consider not assigning security personnel at each guesthouse to save government funds.

Umiray Facilities

- 38.8. The annual salary amounting to P588,045 (approx.) of the four (4) security guards assigned at Umiray Facilities located at General Nakar, Quezon Province were being shouldered by the MWSS, in spite of it being a CPF.

As per inquiry from Management, the deployment of security personnel at Umiray is to secure the area in coordination with military soldiers due to the presence of the “nice people”.

The OGCC, in its letter dated May 25, 2005, opined that the contractual obligation of the Concessionaires on UATP refers to the “raw water conveyance component” of the UATP while the over and beyond such raw water component shall be under the management and operation of MWSS. Hence, it is but fair that the security expenses be jointly shouldered by the Concessionaires and MWSS.

La Mesa Watershed

- 38.9. Six (6) security guards or two (2) guards per shift, with a total annual salary of P1,610,334, were assigned as Reservation patrol to conduct regular patrol in the La Mesa Watershed in coordination with the Unified Security Group (USG) and the Department of Environment and Natural Resources (DENR).

Inquiry from Management disclosed that a Nissan Frontier with plate number WMV 696 was provided by MWSS to the nearest Police Precinct for additional security of the La Mesa. The gasoline consumption of the Nissan Frontier from January to November 2017 amounted to P81,825.29 or P7,400 per month.

Expenses incurred for six (6) security personnel and the gasoline consumption for the Nissan Frontier vehicle of La Mesa USG may be considered unnecessary considering that the La Mesa Watershed is under CPF.

As mentioned in Items 2.2 and 2.3 of Technical Specifications of the Security Contract, security requirements in the *La Mesa Watershed Reservation* and Water Facilities located in Sitio Umiray, Municipality of General Nakar, Quezon Province; and *Angta/Macua, and Ipo Watershed*, all in the Municipality of Norzagaray, Province of Bulacan may soon to be turned-over to the MWSS Concessionaries. Hence, MWSS may forego security requirements for the said areas and save government funds.

e. *On the private vehicles parked on the designated parking area for MWSS Officers and Employees despite the presence of security guards*

- 38.10. One (1) security guard was assigned in the basketball court parking area and two (2) in the covered parking area with a duty of 7:00 am to 3:00 pm; and 6:00 am to 2:00 pm and 2:00 pm to 10:00 pm, respectively.

Reports of the security personnel assigned in the basketball court parking area disclosed that most of the vehicles parked were owned by private individual working in the following companies:

- a. Maynilad Water Services, Inc.
- b. Manila Water Company, Inc.
- c. Water and Sewerage Sector Savings and Loan Association, Inc.

While per verbal inquiry with the assigned security personnel in the covered parking area also revealed that vehicles owned by private individuals working in the Maynilad Water Services, Inc. and Manila Water Company, Inc. were also parked thereat.

- 38.11. The basketball court and covered parking areas, with assigned security guards, were MWSS properties not leased out to the Concessionaires. These parking areas should be made available for MWSS visitors, if any.

f. *On the existence of illegal settlers in MWSS land near Laiban Dam despite deployment of roving guards in the area*

- 38.12. Verification of *Guard Posting Detail* from January to September 2017, however, showed that one (1) guard was assigned a broken time duty while the remaining two guards were from 8:00 am to 5:00 pm. Likewise, per time sheet/record, the three (3) guards were all on duty from 8:00 am to 5:00 pm. This is contrary to the *Terms of Reference*, as integral part of the Contract, which provides that one (1) roving security guard in every 8-hour shift shall be deployed at Laiban Dam, Tanay, Rizal.

Further, Terms of Reference – General Scope of Work states that:

- a. Preserve the area of responsibility and prevent the intrusion of squatters/IFS and building of illegal/unauthorized structures therein. The Agency shall notify MWSS of any such intrusion, illegal structures within 24 hours from occurrence of such incidents;

- b. Remove or demolish at its own initiative or upon formal notification by MWSS, within 24 hours of any on-going illegal construction within the AOR which were discovered during the effectivity of the Contract for Security Services;
- c. Compensate MWSS for the cost of demolition/eviction of illegal residential structures and such other cost and damages as MWSS may incur or suffer arising from, or consequent to the Agency's failure to comply with its obligation under Sections 3.3 and 3.4 hereof;
- d. Notwithstanding Sections 3.4 and 3.5, the Security Agency shall be liable for the penalty of **TEN THOUSAND PESOS (P10,000.00)** per illegal structure constructed during the effectivity of the contract.

Furthermore, Item 4 of the Terms of Reference states that the roving guard is responsible to conduct regular inspection of MWSS properties such as Right-of-Way and to summary demolish new structures within MWSS properties.

Report on the results of the physical inventory taking of MWSS acquired lands in the Municipality of Tanay, Rizal showed that some of the lands located in Brgy. Tinucan were (a) occupied by informal settlers; (b) under-going construction of a piggery; and (c) under planned construction of a future resort project, under-going construction of an irrigation canal and currently used as a dragon fruit farm.

Despite the presence of roving guards, MWSS properties had been occupied by informal settlers and unauthorized structures had been constructed without approval by the Management which could be attributable to the security guard's failure to preserve the area of responsibility.

38.13. We recommended that Management:

a. Require Catalina Security Services Inc. to:

- i. Refund the amount of P239,793 representing the paid salaries of the Detachment Officer or deduct from the monthly billing of the security agency;
- ii. Submit proof of remittances of the Social Security Services (SSS), Home Development Mutual Fund (Pag-IBIG) and Philippine Health Insurance Corporation (PHIC) contributions of the 31 security personnel as discussed in Paragraph 38.b otherwise, no payment should be made;
- iii. Use bundy card system, if possible, or record the actual time of each security personnel reported for duty;
- iv. Compensate the cost and damages the MWSS may incur arising from the existence of illegal settlers in MWSS land near Laiban Dam within the contract period;

- b. Consider transferring to the Concessionaires the security requirements in areas under the CPF; and

- c. **Security personnel assigned at the two (2) parking areas should ensure that only MWSS Officers and Employees and other personnel with MWSS-related transaction utilize the subject parking areas.**

38.14. Management submitted to this Office the following:

- a. Copy of OR No. 0187049 dated May 10, 2018 amounting to P239,793, representing refund of salary of the Detachment Commander of the Catalina Security Agency; and
- b. Copy of remittances made by Catalina Security Agency to SSS, Pag-IBIG, and PhilHealth deducted from/contributed by the 31 security guards assigned at MWSS.

38.15. As a rejoinder, we acknowledge receipt of the OR for the refund made by the Catalina, however, the submitted proof of remittances by Catalina to SSS, Pag-IBIG and PhilHealth does not include the deductions/contributions from the 31 security guards.

Obligation over the Operation and Management of the Umiray Facilities

39. The contractual obligation over the operation and management of the Umiray Facilities was solely assumed by the MWSS and not jointly shared with the Concessionaires as ruled in the OGCC Opinion No. 112 and the Concession Agreement.

39.1. Various articles of the Concession Agreement dated February 21, 1997, entered into by and between MWSS and the Concessionaires, provide:

39.1.1. Article 1 provides the following definition of relevant terms:

- Common Purpose Facilities means the Facilities upstream of Angat dam established under the UATP project and the Facilities downstream of the auxiliary hydropower plant of Norzagaray, Bulacan, including the Ipo reservoir facilities, the Ipo-Bicti tunnels, Bicti basins, and Bicti-Novaliches aqueducts, up to and including the Novaliches portal interconnection Facilities.
- Joint Venture means the joint venture agreement to be entered into by the Concessionaire and the Other Operator pursuant to Section 3.8 hereof.
- UATP means the raw water conveyance component of the Umiray-Angat Tranbasin Project, as described in Schedule 9.

39.1.2. Article 3.8 mentions that one of the responsibilities of the Joint Venture is **to operate, maintain, renew and, as appropriate decommission the Common Purpose Facilities xxx.**

39.1.3. Article 6.13.2 further states the responsibility on UATP, as follows:

- (i) **MWSS shall retain supervisory responsibility for the UATP project** and the Other Operator shall assist and support, to the best of its ability, MWSS to expedite the completion of the UATP project at or under budget.

xxx

- (iv) The Joint Venture shall be responsible for the operation, maintenance and renewal of all related facilities upon completion of UATP.

39.2. Also, the Common Purpose Facilities Agreement executed by MWCI and MWSI on July 31, 1997, enumerated the responsibilities of the Joint Undertaking with respect to the Common Purpose Facilities, which includes:

- a) **Operate, maintain, renew and, as appropriate, decommission the Common Purpose Facilities** in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and sewerage system in each Service Area is capable of meeting the Service Obligations (as such obligations may be revised from time to time by the MWSS-RO following consultation with the Concessionaires);
- b) **Alter, modify, repair and make additions, as may be necessary, to the Common Purpose Facilities;** and
- c) Allocate raw water between the two Service Area in accordance with the provisions of the Concession Agreements.

39.3. In view of the conflicting provisions, MWSS requested for an opinion to the OGCC as to who has the Contractual Obligation over the operation and management of the Umiray Facilities. In its Opinion No. 112 dated May 25, 2005, the OGCC opined that,

*“xxx the contractual obligation of the Joint Venture on UATP refers to the Raw Water Conveyance Component of UATP upstream of Angat Dam in accordance with Article 6.13.2 (iv), Article 3.8, the definition of UATP and Common Purpose Facilities of the Concession Agreement in relation to No. 14 of the Technical Corrections Agreement. **What lies or remains over and beyond such Raw Water Component of UATP, if any, should be under the management and operation of MWSS as part of its retained functions, pursuant to Section 8.1 (vi) of the Concession Agreement.**”*

Also, footnote number 1 page 5 of the Schedule 9 as corrected by No. 14 of the Technical Corrections Agreement expressly states that, *“all references to the UATP Project in this Concession Agreement, **refer solely to the Raw Water Conveyance Component.** xxx.”*

39.4. Inquiry from Management revealed that MWSS started to deploy and assign employees at Umiray in year 2000, the same year when the UATP was completed on June 18, 2000. At present, there are 13 MWSS employees assigned at Umiray, whose salaries and allowances were being paid for by MWSS. Article 6.13.2(v) of the CA clearly mentioned that the responsibility for the operation, maintenance and renewal of all related facilities upon completion of UATP is conveyed to the Joint Venture, in this case, the Concessionaires. Further, there

were four (4) security guards, with an annual salaries of P588,045, assigned at Umiray and being shouldered by the MWSS.

39.5. Likewise, inquiry revealed that Management already called the attention of the Concessionaires on their obligation over the operation and management of the Umiray Facilities as guided by the OGCC Opinion, but the Concessionaires were not amenable. The documents and communications relative thereto were already requested, however, none were submitted.

39.6. With regard to the cost sharing for the operation and maintenance of the Umiray Angat Transbasin Facility (UATF), MWSS designated an SDO who is authorized to draw a monthly revolving cash fund equivalent to the submitted receipts to the Concessionaires, for the following expenses:

- Repairs and maintenance for facilities, structures, equipment and service vehicle;
- Supplies and materials such as gasoline and oil, tools and equipment, field office supplies and equipment, semi-expendable items, UATF communication, medical supplies and others;
- Food allowance for Umiray personnel and Military contingent; and
- Miscellaneous expenses such as seminar/training fees and emergency laborers/fees.

39.7. However, starting year 2017, the Concessionaires took charge on the actual disbursement of funds for the operation and maintenance of the UATF.

39.8. **We recommended that Management:**

- a. **Provide justification on why MWSS retained its obligation over the operation and management of the Umiray Facilities as evidenced by deployment of its employees in the area, not in accordance with Article 6.13.2(v) of the Concession Agreement;**
- b. **Immediately submit all relevant documents and communications with the Concessionaires regarding its obligation over the operation and management of the Umiray facilities; and**
- c. **Resolve the issue as to what encompasses the “Raw Water Conveyance Component” mentioned in Schedule 9, to further determine as to who has the obligation over the operation and management of the Umiray Facilities, as provided under Article 12 of the Concession Agreement.**

39.9. Management commented that the documents to support the retention on the operation of the Umiray Facilities will be submitted.

E. Compliance with Tax Laws

40. For MWSS CO, the Due to BIR account as of December 31, 2017, amounted to P4.498 million and remittance made in January 2018 totaled P2.488 million. The unremitted balance of P2.455 million pertained to adjustments to the account for transactions in previous periods which are for reconciliation/verification. See related Audit Observation under paragraph A.16.4 of this Report.
41. For MWSS RO, all income taxes withheld on salaries for January to November 2017 were remitted in CY 2017 while income taxes withheld in December 2016 were remitted on January 8, 2018.

F. Compliance with GSIS Premium/Loan Amortization Deductions and Remittances

42. MWSS CO complied with GSIS, Pag-IBIG and PhilHealth guidelines on the collection and remittance of employer and employees contributions and loan amortization of employees.
43. However, audit of GSIS, Pag-IBIG and PhilHealth in CY 2017 disclosed a variance of P56,090 after taking into account the remittance made in January 2018 for the December 2017 contributions. The discrepancies noted pertains to the beginning balance of each accounts that remained unreconciled by the Agency at year-end, as shown below:

Account	Book Balance As of 31 December 2017	January 2018 remittance for December 2017 Contributions	Difference
GSIS	1,250,953.84	1,198,025.26	52,928.58
Pag-IBIG	78,380.24	77,823.96	556.28
PhilHealth	75,242.56	72,637.50	2,605.06
Total	1,404,576.64	1,348,486.72	56,089.92

44. For MWSS RO, the amount withheld from employees for their GSIS, Pag-IBIG and PhilHealth contributions from January to November 2017 were all remitted in CY 2017 while the December 2017 GSIS, Pag-IBIG and PhilHealth contributions were remitted in January 8, 2018.

G. Status of Unsettled Audit Suspensions, Disallowances and Charges

1. A summary of audit disallowances issued for transactions ending December 31, 2017 is shown below:

Particulars	MWSS – Corporate Office	MWSS – Regulatory Office
Notice of Disallowances which are Final and Executory	P 13,369,520.31	P 91,963,268.95
Audit Disallowances with Pending Appeal with the COA Commission Proper/Supreme Court	330,014,333.03	114,255,503.36
Total	P343,383,853.34	P206,218,772.31

2. Tables showing status of audit disallowances for transactions of the MWSS CO and MWSS RO are shown in Annexes A to D of this Report.

Annex A

MWSS Corporate Office Notice of Disallowances which are final and executory

	ND No.	Date	Nature of disallowance	Amount	Status
1	2000-017-07-(99)	08/15/00	RATA, Longevity, Rice, Meal, Children's and Medical Allowance	4,710,423.60	<p>NSSDC No. 17-002 dated January 27, 2017 for partial settlement of P103,851.60</p> <p>With Notice of Finality of Decision dated January 26, 2016.</p> <p>COA Decision No. 2003-071 dated April 8, 2003 was issued.</p>
2	2001-025-05-(00)	03/19/01	Mid-year FA 2000	2,128,780.40	<p>With SC En Banc Notice issuing a Resolution dated January 23, 2018 which DENIED WITH FINALITY the two Motions for partial reconsideration of the Decision dated November 21, 2017.</p> <p>With two Motions for Partial Reconsideration filed to SC by the MWSS praying (a) to grant the petition in GR 195105 setting aside COA Decision 2009-072 and 2010-145; and (b) to find the petitioners Darlina Uy, Leonor Cleofas, Lourdes R. Naz, Jocelyn M. Toledo, Loida Ceguerra and Miriam Fulgueras.</p> <p>With SC Decision per GR Nos. 195105 & 220729 dated November 21, 2017 which (a) dismisses the petition in GR No. 195105 for its lack of merit, (b) grants the petition in GR No.</p>

	ND No.	Date	Nature of disallowance	Amount	Status
					220729 and sets aside COE 2015-174 and (c) declares petitioners Darlina T. Uy, Leonor C Cleofas, Ma. Lourdes R. Naz, Jocelyn M. Toledo, Loida G. Ceguerra and Miriam S. Fulgueras not personally liable to refund the disallowed amount.
3	2001-006-05-(00)	02/28/01	Mid-year FA 2000	601,919.70	-do-
4	2001-024-05-(00)	03/09/01	Year-end FA 2000	1,929,610.60	-do-
5	2001-022-05-(00)	03/06/01	Year-end FA 2000	735,243.34	-do-
6	2001-021-05-(00)	03/06/01	Bigay-Pala Anniversary Bonus	742,573.90	-do-
7	2001-023-05-(00)	03/08/01	PIB	2,157,932.65	-do-
8	2001-019-05-(00)	03/06/01	Medical Allow.	287,500.00	-do-
9	2001-018-05-(00)	03/05/01	RATA	179,387.72	-do-
Total Audit Disallowances which are final and executory				13,473,371.91	
Less: Settlements NSSDC No. 17-002 for ND No. 2000-017-07-(99)				(103,851.60)	
Total Unsettled Audit Disallowances which are final and executory – MWSS Corporate Office				13,369,520.31	

Annex B

MWSS Corporate Office Audit Disallowances with Pending Appeal with the COA Commission Proper/Supreme Court

	ND No.	Date	Nature of Disallowance	Amount	Status
1	10-001-05-(09)	07/16/10	Year-End Financial Assistance	6,565,910.90	With pending Petition for Certiorari with the SC per 1 st Indorsement dated October 23, 2017 of Dir. Rubico, PLO, LSS
2	10-002-05-(09)	07/16/10	Anniversary Bonus	5,417,999.39	-do-
3	10-003-05-(09)	07/16/10	Anniversary Bonus	5,688,443.56	-do-
4	10-004-05-(09)	07/16/10	Monetization of Leave credits	1,178,209.03	-do-
5	10-005-05-(09)	07/16/10	Traditional	686,000.00	-do-

	ND No.	Date	Nature of Disallowance	Amount	Status
			Anniv. Bonus		
6	10-006-05-(09)	07/16/10	Mid-Year Financial Assistance	5,818,138.91	-do-
7	10-007-05-(09)	07/16/10	RATA for January 2009	104,000.00	-do-
8	10-008-05-(09)	07/16/10	RATA for February 2009	104,000.00	-do-
9	10-009-05-(09)	07/16/10	RATA for March 2009	104,000.00	-do-
10	10-010-05-(09)	07/16/10	Family Day Allowance (Regular)	1,800,000.00	-do-
11	10-011-05-(09)	07/16/10	Rate Rebasing Bonus (Regular)	5,764,746.31	-do-
12	10-012-05-(09)	07/16/10	Family Week Allowance (Regular)	6,454,899.70	-do-
13	10-013-05-(09)	07/16/10	Performance Enhancement Incentive	6,524,033.20	-do-
14	10-014-05-(09)	07/16/10	GOCC Incentive For CY 2008	5,471,382.77	-do-
15	10-015-05-(09)	07/16/10	Scholarship Allowance (1 st Tranche)	3,985,333.71	-do-
16	10-016-05-(09)	07/16/10	Scholarship Allowance (2 nd Tranche)	6,603,893.90	-do-
17	10-029-05-(09)	08/16/10	Corporate Christmas Package for CY 2009	10,730,286.97	-do-
18	10-017-05-(09)	07/29/10	PX Mart Allowance (4 th Quarter)	2,630,000.00	With Petition for Review filed before the Commission Proper under CP Case No. 2011-371 With Cluster B Decision No. 2011-012 dated November 9, 2011
19	10-018-05-(09)	07/29/10	Grocery Incentive Pay (1 st Quarter)	2,048,273.83	-do-
20	10-019-05-(09)	07/29/10	Grocery Incentive Pay (2 nd Quarter)	2,053,273.85	-do-
21	10-020-05-(09)	07/29/10	PX Mart Allowance (3 rd Quarter)	2,635,000.00	-do-
22	10-021-05-(09)	07/29/10	Efficiency Incentive Benefit for CY 2009	5,929,843.97	-do-

	ND No.	Date	Nature of Disallowance	Amount	Status
23	10-022-05-(09)	07/29/10	Privatization Financial Assistance	5,679,037.49	-do-
24	10-023-05-(09)	07/29/10	Educational Assistance	5,741,017.42	-do-
25	10-024-05-(09)	07/20/10	Extraordinary Expenses	1,325,375.40	-do-
26	10-025-05-(09)	07/29/10	Extraordinary Expenses	2,111,192.85	-do-
27	10-030-05-(09)	08/18/10	Grocery Allowance (2 nd Quarter – BOT)	77,628.50	-do-
28	10-031-05-(09)	08/18/11	Grocery Allowance (1 st Quarter – BOT)	73,747.09	-do-
29	10-032-05-(09)	08/18/11	Grocery Allowance (3 rd Quarter – BOT)	90,000.00	-do-
30	10-033-05-(09)	08/18/11	Grocery Allowance (4 th Quarter – BOT)	120,000.00	-do-
31	Amended/Supplemental ND No. 2012-01-(05-08) dated March 15, 2012 (ND was issued by FAIO)		Various allowances and benefits for the period CY 2005 to 2008	60,483,592.40	With pending Petition for Certiorari with the SC per letter dated October 26, 2017 of Dir. Rubico, PLO, LSS
32	13-001-05-(12)	06/13/13	Amelioration Allowance	3,680,227.14	With pending Petition for Certiorari with the Supreme Court per 1 st indorsement dated October 26, 2017 of Dir. Rubico, PLO, LSS
33	13-002-05-(12)	06/14/13	COLA	14,720,328.21	-do-
34	13-003-05-(12)	07/01/13	RATA	6,001,992.84	-do-
35	13-004-05-(12)	07/01/13	RATA	2,704,617.28	-do-
36	13-005-05-(12)	07/01/13	Procurement of private health insurance	3,072,183.95	<p>Petition for Review filed before the COA Commission Proper under Case No. 2016-808</p> <p>Petition for Review filed by MWSS and MLA on June 11, 2017. (for CGS C3 Decision No. 2016-33)</p> <p>Petition for Review filed before the COA CP under COA CP Case No. 2016-808 (for CGS C3 Decision No. 2016-13)</p>

	ND No.	Date	Nature of Disallowance	Amount	Status
					CGS Cluster 3 Decision No. 2016-33 dated August 9, 2016 CGS Cluster 3 Decision No 2016-13 dated April 29, 2016
37	13-006-05-(12)	07/01/13	-do-	857,205.00	-do-
38	13-007-05-(12)	07/01/13	-do-	2,985,516.00	-do-
39	13-009-05-(12)	12/03/13	Hazard and Longevity Pay	1,269,627.39 5,017,297.07	Petition for Review dated November 7, 2016 filed by Darlina T. Uy, et al and Anabella S. Altuna, et al before the CP under COA CP Case No. 2016-935 (for CGS C3 Decision No. 2016-20) Petition for Review filed by MWSS and MLA on June 11, 2017. (for CGS C3 Decision No. 2016-33) CGS Cluster 3 Decision No. 2016-20 dated June 9, 2016 CGS Cluster 3 Decision No. 2016-33 dated August 9, 2016
40	14-001-05-(12)	02/04/14	Janitorial Services	2,855,968.14	Petition for Review filed before the COA Commission Proper COA CGS Cluster Decision No. 2016-45 dated October 25, 2016
41	14-002-05-(12)	04/25/14	Rice Allowance	2,716,030.99	Petition for Review filed by MWSS-Officials and Employees dated June 21, 2016 before the COA CP under COA CP Case No. 2016-543 (for CGS C3 Decision No. 2016-12) Petition for Review filed by Rene Zapiter, et al and Virgilio Matel on May 5, 2016 (for CGS C3 Decision No. 2016-11)

	ND No.	Date	Nature of Disallowance	Amount	Status
					COA CGS Cluster 3 Decision No. 2016-12 dated and April 29, 2016 COA CGS Cluster Decision Nos. 2016-11 dated April 8, 2016
42	14-005-05-(12)	06/30/14	Meal Allowance	2,094,571.00	Petition for Review filed by MWSS-CO Officials and Employees dated November 7, 2016 before the COA CP under COA CP Case No. 2016-946 (for CGS C3 Decision No. 2016-08) Petition for Review filed before the COA CP (for CGS C3 Decision No. 2016-56) COA CGS Cluster Decision No. 2016-08 dated March 31, 2016 COA CGS Cluster 3 Decision No. 2016-56 dated December 6, 2016
43	14-006-05-(12)	06/30/14	Meal Allowance	2,033,200.00	Petition for Review filed by MWSS-CO Officials and Employees dated November 7, 2016 before the COA CP under COA CP Case No. 2016-946 (for CGS C3 Decision No. 2016-08) Petition for Review filed before the COA CP (for CGS C3 Decision No. 2016-56) COA CGS Cluster Decision No. 2016-08 dated March 31, 2016 COA CGS Cluster 3 Decision No. 2016-56 dated December 6, 2016

	ND No.	Date	Nature of Disallowance	Amount	Status
44	14-007-05-(13)	06/30/14	Meal Allowance	2,038,752.00	<p>Petition for Review filed by MWSS-CO Officials and Employees dated November 7, 2016 before the COA CP under COA CP Case No. 2016-946 <i>(for CGS C3 Decision No. 2016-08)</i></p> <p>Petition for Review filed before the COA CP <i>(for CGS C3 Decision No. 2016-56)</i> COA CGS Cluster Decision No. 2016-08 dated March 31, 2016</p> <p>COA CGS Cluster 3 Decision No. 2016-56 dated December 6, 2016</p>
45	14-008-05-(13)	06/30/14	Meal Allowance	1,910,880.00	<p>Petition for Review filed by MWSS-CO Officials and Employees dated November 7, 2016 before the COA CP under COA CP Case No. 2016-946 <i>(for CGS C3 Decision No. 2016-08)</i></p> <p>Petition for Review filed before the COA CP <i>(for CGS C3 Decision No. 2016-56)</i></p> <p>COA CGS Cluster Decision No. 2016-08 dated March 31, 2016</p> <p>COA CGS Cluster 3 Decision No. 2016-56 dated December 6, 2016</p>
46	14-009-05-(13)	10/01/14	Hazard and Longevity Pay	1,120,917.28 5,166,462.69	<p>Petition for Review filed by Darlina T. Uy, et al, Anabella S. Altuna, et al dated October 6, 2016 before the COA CP <i>(for CGS C3 Decision No. 2016-21)</i></p> <p>Petition for Review filed before the COA CP <i>(for</i></p>

	ND No.	Date	Nature of Disallowance	Amount	Status
					CGS C3 Decision No. 2016-56) COA CGS Cluster Decision No. 2016-21 dated June 9, 2016 COA CGS Cluster 3 Decision No. 2016-56 dated December 6, 2016
47	14-010-05-(13)	10/14/14	RATA	1,736,399.47	Petition for Review filed by Florendo B. Batasin, Jr. and Ma. Lourdes R. Naz dated July 8, 2016 Petition for Review filed by Leonor C. Cleofas and other concerned officials of the MWSS dated July 11, 2016 Petition for Review filed by Lilia N. Rondario and other concerned officials of the MWSS dated June 29, 2016 before the COA CP under COA CP Case No. 2016-586 Petition for Review filed by Darlina T. Uy dated June 17, 2016 before the COA CP under COA CP Case No. 2016-278 CGS Cluster 3 Decision No. 2016-09 dated March 31, 2016
48	14-011-05-(13)	10/03/14	RATA	3,649,328.00	Petition for Review filed by Leonor C. Cleofas and other concerned officials of the MWSS dated July 11, 2016 and (for CGS C3 Decision No. 2016-09) Petition for Review filed by Lilia N. Rondario and other concerned officials of the MWSS dated June 29, 2016 before the COA CP under COA CP Case

	ND No.	Date	Nature of Disallowance	Amount	Status
					<p>No. 2016-586 (for CGS C3 Decision No. 2016-09)</p> <p>Petition for Review filed by Anabella S. Altuna dated May 5, 2016 (for CGS C3 Decision No. 2016-09)</p> <p>Petition for Review filed by Benedicto R. Arellano dated May 5, 2016 Re: Decision No. 2016-09 (for CGS C3 Decision No. 2016-09)</p> <p>Petition for Review filed before the COA CP (for CGS C3 Decision No. 2016-56) COA CGS Cluster Decision No. 2016-09 dated March 31, 2016</p> <p>COA CGS Cluster 3 Decision No. 2016-56 dated December 6, 2016</p>
49	14-012-05-(13)	11/04/14	Rice Allowance	2,697,161.04	<p>Petition for Review filed by MWSS-CO Officials and Employees dated July 5, 2016 before the COA CP under COA CP Case No. 2016-600</p> <p>CGS Cluster 3 Decision No. 2016-10 dated April 7, 2016</p>
50	14-013-05-(13)	11/24/14	Janitorial Services	3,657,198.05	<p>Petition for Review filed before the COA Commission Proper</p> <p>COA CGS Cluster Decision No. 2016-53 dated November 25, 2016</p>
51	15-002-05-(PY)	04/20/15	Validity of Appointment	822,129.00	<p>CGS Cluster Decision No. 2017-22 dated June 5, 2017 was elevated to the COA Commission Proper for automatic review</p>

	ND No.	Date	Nature of Disallowance	Amount	Status
52	15-003-05-(PY)	06/29/15	Consultancy Services	1,315,000.00	CGS Cluster 3 Director reversed the subject ND and the Cluster Decision is endorsed to the Commission Proper (CP) for COA Decision
53	15-004-05-(PY)	06/30/15	Separation Pay – Contract Collectors	6,886,524.79	COA CGS Cluster 3 Decision No. 2017-37 dated August 16, 2017 subject to automatic review of the CP
54	15-007-05-(14)	11/03/15	RATA	366,372.00	Petition for Review filed before the Commission Proper under COA CP Case No. 2017-223 COA CGS Cluster 3 Decision No. 2017-08 dated February 21, 2017
55	15-008-05-(14)	11/03/15	RATA	519,596.00	Petition for Review filed before the Commission Proper under COA CP Case No. 2017-223 COA CGS Cluster 3 Decision No. 2017-08 dated February 21, 2017
56	15-009-05-(14)	11/03/15	Hazard and Longevity Pay	751,962.93 5,032.26	Petition for Review filed before the COA Commission Proper COA CGS Cluster 3 Decision No. 2017-01 dated January 19, 2017
57	15-010-05-(14)	11/23/15	Reimbursement OGCC Lawyers	733,132.33	Petition for Review filed before the COA Commission Proper CGS Cluster 3 Decision No. 2017-44 dated September 25, 2017 NSSDC No. 16-001 dated March 14, 2016 for partial settlement of P4,900.00
58	16-001-05-(14)	01/26/16	Rice Allowance	1,085,745.81	Petition for Review filed before the COA Commission Proper CGS Cluster Decision No. 2016-51 dated November 15, 2016

	ND No.	Date	Nature of Disallowance	Amount	Status
59	16-002-05-(14)	01/26/16	Meal Allowance	1,041,600.00	Petition for Review filed before the COA Commission Proper CGS Cluster 3 Decision No. 2017-02 dated January 27, 2017
60	16-003-05-(14)	01/26/16	Meal Allowance	1,132,567.09	-do-
61	16-04-05-(15)	05/31/16	Hazard Pay	652,338.86	Petition for Review filed before the Commission Proper COA CGS Cluster 3 Decision No. 2016-58 dated December 13, 2016
62	16-05-05-(15)	08/08/16	RATA	70,000.00	COA CGS Cluster 3 Decision No. 2017-18 dated April 26, 2017 was elevated to the COA Commission Proper for automatic review
63	16-06-05-(15)	08/31/16	Deficiency Taxes	77,491,573.88	Petition for Review filed before the COA Commission Proper COA CGS Cluster 3 Decision No. 2018-12 dated April 12, 2018
64	16-07-05-(15)	09/19/16	Invalidated Appointment	485,852.66	COA CGS Cluster 3 Decision No. 2017-16 dated April 17, 2017 was elevated to the COA Commission Proper for automatic review NSSDC No. 17-005 dated April 17, 2017 for partial settlement of P225,319.27 due to presentation of the CSC-validated appointment effective March 14, 2016 to July 15, 2016 .
65	10-026-05-(09)	07/28/10	Cash Token- Jim G. Fondevilla	200,000.00	The first two Decisions were elevated to the COA Commission Proper for automatic review. COA CGS Cluster 3 Decision No. 2016-40 dated October 3, 2016 (Jocelyn M. Toledo)

	ND No.	Date	Nature of Disallowance	Amount	Status
					COA CGS Cluster 3 Decision No. 2016-42 dated October 4, 2016 (Jim G. Fondevilla) COA CGS Cluster 3 Decision No. 2016-44 dated October 6, 2016 (Alberto Agra)
66	10-027-05-(09)	07/28/10	Financial Assistance- Lorenzo S. Sulaik	250,000.00	The two Decisions were elevated to the COA Commission Proper for automatic review. COA CGS Cluster 3 Decision No. 2016-40 dated October 3, 2016 (Jocelyn M. Toledo) COA CGS Cluster 3 Decision No. 2016-44 dated October 6, 2016 (Alberto Agra)
67	10-028-05-(09)	07/28/10	Medical/Financial Assistance- Oscar Garcia	450,000.00	The first two Decisions were elevated to the COA Commission Proper for automatic review COA CGS Cluster 3 Decision No. 2016-40 dated October 3, 2016 (Jocelyn M. Toledo) COA CGS Cluster 3 Decision No. 2016-42 dated October 4, 2016 (Jim G. Fondevilla) COA CGS Cluster 3 Decision No. 2016-44 dated October 6, 2016 (Alberto Agra)
68	14-003-05-(12)	05/21/14	CY 2012 Welfare Fund	11,848,750.23	NSSDC No. 17-003 dated January 27, 2017 for full settlement of the disallowance Notice of Finality of Decision dated December 21, 2016
69	15-006-05-(14)	07/23/15	Welfare Fund – Government Share	1,524,881.13	NSSDC No. 2017-001 dated January 17, 2017 for full settlement of the

	ND No.	Date	Nature of Disallowance	Amount	Status
					disallowance Notice of Finality of Decision dated December 21, 2016
70	14-004-05-(13)	05/26/14	CY 2013 Welfare Fund	3,789,683.15	NSSDC No. 17-004 dated January 27, 2017 for full settlement of the disallowance Notice of Finality of Decision dated December 21, 2016
Total Audit Disallowances with pending appeal with the COA CP/Supreme Court				347,407,866.81	
Less: Settlements					
NSSDC No. 16-001 for ND No. 15-010-05-(14)				(4,900.00)	
NSSDC No. 17-001 for ND No. 15-006-05-(14)				(1,524,881.13)	
NSSDC No. 17-003 for ND No. 14-003-05-(12)				(11,848,750.23)	
NSSDC No. 17-004 for ND No. 14-004-05-(13)				(3,789,683.15)	
NSSDC No. 17-005 for ND No. 16-07-05-(15)				(225,319.27)	
Total Unsettled Audit Disallowances with pending appeal with the COA CP/Supreme Court – MWSS Corporate Office				330,014,333.03	

ANNEX C

MWSS Regulatory Office Notices of Disallowances which are final and executory

	ND No.	Date	Nature of Disallowance	Amount	Status
1	RO10-001-719-3(09)	07/16/10	Anniversary Bonus (Traditional)	622,000.00	COA Decision No. 2015-040 dated January 30, 2015 with G.R. No. 224240 With COE No. 2016-097 from LSS Office of the General Counsel dated December 28, 2016 With Notice of Finality of Decision from CPASSSS Commission Secretariat dated January 24, 2017
2	RO10-002-719-3(09)	07/16/10	Productivity Enhancement Pay (PEP)	622,000.00	-do-
3	RO10-003-510(09)	07/16/10	Rate Rebasing Allowance	622,000.00	-do-

	ND No.	Date	Nature of Disallowance	Amount	Status
4	RO10-004-510(09)	07/16/10	Rate Rebasing Incentive Pay (Premium)	622,000.00	-do-
5	RO10-005-510(09)	07/16/10	Family Day & Educational Allowances	416,000.00	-do-
6	RO10-006-719-6(09)	07/16/10	Traditional Christmas Bonus	793,400.00	-do-
7	RO10-007-510(09)	07/16/10	Productivity Incentive Bonus (PIB) 1	793,400.00	-do-
8	RO10-008-510(09)	07/16/10	GOCC Incentive	793,400.00	-do-
9	RO10-009-510(09)	07/16/10	Collective Negotiation Agreement (C N A) Incentive	793,400.00	-do-
10	RO10-010-510(09)	07/16/10	Scholarship Allowance (2 nd Tranche)	793,400.00	-do-
11	RO10-011-510(09)	07/20/10	Efficiency Incentive Bonus	447,400.00	-do-
12	RO10-012-510(09)	07/20/10	Scholarship Allowance (1st Tranche)	597,400.00	-do-
13	RO10-013-510(09)	07/20/10	Family Week Allowance	793,400.00	-do-
14	RO10-014-510(09)	07/20/10	Performance Enhancement Incentive	793,400.00	-do-
15	RO10-015-510(09)	07/20/10	Calamity Economic Assistance 1	793,400.00	-do-
16	RO10-016-510(09)	07/20/10	Calamity Economic Assistance 2	793,400.00	-do-
17	RO10-017-510(09)	07/20/10	Corporate Christmas Package	793,400.00	-do-
18	RO10-018-717-1(09)	07/20/10	Productivity Incentive Bonus 2	695,400.00	-do-
19	RO10-019-510(09)	07/20/10	Additional Educational Allowance	622,000.00	-do-
20	RO10-020-883-3(09)	07/22/10	Health & Wellness Allowance	150,000.00	-do-

	ND No.	Date	Nature of Disallowance	Amount	Status
21	RO10-021-717-1(09)	07/20/10	Productivity Incentive Bonus 3	793,400.00	-do-
22	RO10-022-510(09)	07/22/10	Rate Rebasing Additional	447,400.00	-do-
23	RO10-023-510(09)	07/22/10	RATA Differential	756,000.00	-do-
24	RO10-024-719-3(09)	07/22/10	Privatization Anniversary Bonus 1	597,400.00	-do-
25	RO10-025-719-3(09)	07/22/10	Privatization Anniversary Bonus 2 (Additional)	597,400.00	-do-
26	RO10-026-510(09)	07/22/10	Performance Bonus	695,400.00	-do-
27	RO10-027-717-1(09)	07/22/10	Performance Enhancement Incentive	3,175,426.20	-do-
28	RO10-028-717-1(09)	07/22/10	Productivity Incentive Benefit	5,943,527.44	-do-
29	RO10-029-717-1(09)	07/22/10	Productivity Incentive Bonus	3,454,313.88	-do-
30	RO10-030-719-1(09)	07/22/10	Collective Negotiation Agreement (C N A) Incentive	3,482,425.50	-do-
31	RO10-031-717-1(09)	07/22/10	Performance Bonus	3,451,319.10	-do-
32	RO10-032-719-1(09)	07/22/10	GOCC Incentive	3,482,425.50	-do-
33	RO10-033-721 (09)	07/22/10	Hazard Duty Pay- Jan to June 2009	498,000.00	-do-
34	RO10-034-721 (09)	07/22/10	Hazard Duty Pay- July to Dec 2009	493,800.00	-do-
35	RO10-035-719-1 (09)	07/22/10	Anniversary Bonus	2,712,493.34	-do-
36	RO10-036-719-1 (09)	07/22/10	Anniversary (Bigay Pala I)	2,737,201.58	-do-
37	RO10-037-510 (09)	07/22/10	Rate Rebasing Incentive 1	5,554,413.46	-do-
38	RO10-038-883-4 (09)	07/22/10	Grocery Incentive Pay 1st Quarter	1,330,000.00	-do-
39	RO10-039-883-4 (09)	07/22/10	Grocery Incentive Pay 2nd Quarter	1,340,000.00	-do-
40	RO10-040-883-4 (09)	07/22/10	Grocery Incentive Pay 3rd Quarter	1,350,000.00	-do-
41	RO10-041-883-4 (09)	07/22/10	Grocery Incentive Pay	1,375,000.00	-do-

	ND No.	Date	Nature of Disallowance	Amount	Status
			4th Quarter		
42	RO10-042-510 (09)	07/22/10	Educational Assistance 1	1,513,200.00	-do-
43	RO10-043-510 (09)	07/22/10	Rate Rebasing Incentive 2	2,451,400.00	-do-
44	RO10-044-510 (09)	07/22/10	Educational Assistance 2	1,519,000.00	-do-
45	RO10-045-510 (09)	10/21/10	Productivity Enhancement Pay	3,015,729.40	-do-
46	RO10-046-719-1(09)	10/22/10	Corporate Christmas Package	5,554,413.46	-do-
47	RO10-047-717-1(09)	10/08/10	Scholarship Allowance (1)	3,392,897.70	-do-
48	RO10-048-719-1(09)	10/08/10	Calamity Economic Assistance for CY 2009	3,444,769.20	-do-
49	13-007-RO-(12)	12/03/13	Hazard Duty Pay	464,127.10	CGS Cluster-3 Decision No. 2016-29 dated June 28, 2016 With Notice of Finality of Decision from CD dated December 21, 2016
50	13-008-RO-(12)	12/03/13	Longevity Pay	1,816,335.48	CGS Cluster-3 Decision No. 2016-29 dated June 28, 2016 With Notice of Finality of Decision from CD dated December 21, 2016
51	14-003-RO-(12)	04/25/14	Rice Allowance CY 2012	1,371,805.56	CGS Cluster-3 Decision No. 2016-30 dated June 30, 2016 With Notice of Finality of Decision from CD dated December 21, 2016
52	14-004-RO-(12)	05/21/14	Welfare Fund CY 2012	7,121,527.82	CGS Cluster-3 Decision No. 2016-18 dated May 31, 2016 With Notice of Finality of Decision from CD dated December 21, 2016
53	14-005-RO-(13)	05/26/14	Welfare Fund CY 2013	1,231,430.82	CGS Cluster-3 Decision No. 2016-18 dated May 31, 2016 With Notice of Finality

	ND No.	Date	Nature of Disallowance	Amount	Status
					of Decision from CD dated December 21, 2016
54	15-004-RO-(14)	11/10/15	Meal Allowance	905,250.00	CGS Cluster-3 Decision No. 2016-39 dated September 20, 2016 With Notice of Finality of Decision from CD dated December 21, 2016
55	15-005-RO-(14)	11/10/15	Rice Allowance	543,836.41	CGS Cluster-3 Decision No. 2016-38 dated September 5, 2016 With Notice of Finality of Decision from CD dated December 21, 2016
Total Unsettled Audit Disallowances which are final and executory – MWSS Regulatory Office				91,963,268.95	

ANNEX D

MWSS Regulatory Office Audit Disallowances with Pending Appeal with the Cluster 3/Commission Proper or Without Appeal Received but Appeal Period has not yet Expired

	ND No.	Date	Nature of Disallowance	Amount	Status
1	13-001-RO-(12)	06/06/13	Amelioration Allowance	1,991,974.15	COA Decision No. 2015-405 dated December 28, 2015
2	13-002-RO-(12)	06/10/13	COLA	7,910,835.98	-do-
3	13-004-RO-(12)	06/10/13	Productivity Incentive Bonus CY 2011	3,924,797.50	-do-
4	13-005-RO-(12)	06/10/13	RATA CY 2012	4,389,873.84	-do-
5	13-006-RO-(12)	06/10/13	Health Insurance	2,940,705.00	-do-
6	14-001-RO-(12)	02/05/14	Janitorial Services CY 2012	686,587.61	CGS Cluster-3 Decision No. 2017-11 dated March 7, 2017 With Petition for Review to CP dated March 28, 2017
7	14-002-RO-(12)	02/11/14	Security Services CY 2012	1,334,050.05	CGS Cluster-3 Decision No. 2017-11 dated March 7, 2017 With Petition for Review to CP dated March 28,

	ND No.	Date	Nature of Disallowance	Amount	Status
					2017
8	14-006-RO-(12)	06/10/14	EME CY 2012	628,272.99	CGS Cluster-3 Decision No. 2017-15 dated March 28, 2017 With Petition for Review to CP dated April 10, 2017
9	14-007-RO-(13)	06/26/14	EME CY 2013	443,217.87	CGS Cluster-3 Decision No. 2017-15 dated March 28, 2017 With Petition for Review to CP dated April 10, 2017
10	14-008-RO-(13)	06/30/14	Private Health Insurance	32,438.13	CGS Cluster-3 Decision No. 2017-15 dated March 28, 2017 With Petition for Review to CP dated April 10, 2017
11	14-009-RO-(12)	06/27/14	Meal Allowance CY 2012	2,278,667.44	CGS Cluster-3 Decision No. 2016-57 dated December 6, 2016
12	14-010-RO-(13)	06/27/14	Hazard Duty Pay	406,545.17	CGS Cluster-3 Decision No. 2016-57 dated December 6, 2016
13	14-011-RO-(13)	06/27/14	Meal Allowance CY 2013	2,022,150.00	CGS Cluster-3 Decision No. 2016-57 dated December 6, 2016
14	14-012-RO-(13)	09/04/14	Janitorial Services	770,228.00	CGS Cluster 3 Decision No. 2017-32 dated July 12, 2017
15	14-013-RO-(13)	09/09/14	Longevity Pay	1,665,500.00	-do-
16	14-014-RO-(13)	11/12/14	RATA SG 24 and below	1,880,772.08	CGS Cluster 3 Decision No. 2017-31 dated July 12, 2017
17	14-015-RO-(13)	11/12/14	RATA SG 24 and above	942,166.96	-do-
18	14-016-RO-(13)	12/04/14	Security services	1,432,122.36	-do-
19	15-001-RO-(12, 13 & 14)	06/25/15	Subsistence - Children's Allowance	117,770.78	CGS Cluster 3 Decision No. 2017-23 dated June 5, 2017
20	15-002-RO-(14)	06/26/15	RATA (SG-24 & above)	294,611.60	CGS Cluster-3 Decision No. 2017-05 dated February 8, 2017 With Petition for Review to CP dated February 27, 2017
21	15-003-RO-(14)	09/29/15	Welfare Fund - Government	559,504.08	CGS Cluster-3 Decision No. 2017-09 dated

	ND No.	Date	Nature of Disallowance	Amount	Status
			Share (Jan.- June 2012)		February 23, 2017 With Petition for Review to CP dated March 9, 2017
22	16-001-RO-(14)	06/07/16	Appeal Filing Fee	40,460.00	CGS Cluster 3 Decision No. 2017-42 dated September 13, 2017
23	16-006-05-(15)	09/01/16	Tax Penalty	77,491,573.88	CGS Cluster 3 Decision No. 2018-12 dated April 12, 2018
24	16-002-RO-(15)	09/22/16	Children's Allowance	13,365.00	CGS Cluster 3 Decision No. 2017-38 dated August 23, 2017
25	17-001-RO-(16)	10/18/17	Transportation Allowance	57,312.89	Appeal with Cluster Director
Total Unsettled Audit Disallowances with Pending Appeal with the Cluster 3/Commission Proper or Without Appeal Received but Appeal Period has not yet Expired – MWSS Regulatory Office				114,255,503.36	

ANNEX E

Designation	Billing Period	Actual billing per SOA	Limit	Excess of billing over limit	Amount charged to employee	For refund
1. Deputy Administrator	10/29/17 - 11/28/17	6,003.87	5,000.00	1,003.87	0.00	1,003.87
Subtotal		6,003.87	5,000.00	1,003.87	0.00	1,003.87
2. Department Manager	11/13/16 - 12/12/16	3,765.19	2,500.00	1,265.19	0.00	1,265.19
	12/13/16 - 01/12/17	3,916.74	2,500.00	1,416.74	0.00	1,416.74
	01/13/17 - 02/12/17	3,741.69	2,500.00	1,241.69	0.00	1,241.69
	02/13/17 - 03/12/17	2,864.13	2,500.00	364.13	0.00	364.13
	03/13/17 - 04/12/17	2,533.22	2,500.00	33.22	0.00	33.22
Subtotal		16,820.97	12,500.00	4,320.97	0.00	4,320.97
3. *Acting Department Manager	04/13/15 - 05/12/15	2,500.00	0.00	2,500.00	0.00	2,500.00
	05/13/15 - 06/12/15	2,500.00	0.00	2,500.00	0.00	2,500.00
	12/13/16 - 01/12/17	2,500.00	0.00	2,500.00	0.00	2,500.00
	01/13/17 - 02/12/17	2,500.00	0.00	2,500.00	0.00	2,500.00
	02/13/17 - 03/12/17	2,500.00	0.00	2,500.00	0.00	2,500.00
	03/13/17 - 04/12/17	3,134.53	0.00	3,134.53	0.00	3,134.53
	04/13/17 - 05/12/17	3,273.51	2,500.00	773.51	0.00	773.51
	05/13/17 - 06/12/17	3,592.26	2,500.00	1,092.26	0.00	1,092.26
	06/13/17 - 07/12/17	3,480.04	2,500.00	980.04	0.00	980.04
	07/13/17 - 08/12/17	3,778.25	2,500.00	1,278.25	0.00	1,278.25
	08/13/17 - 09/12/17	3,459.05	2,500.00	959.05	0.00	959.05
	09/13/17 - 10/12/17	3,554.75	2,500.00	1,054.75	0.00	1,054.75
	10/13/17 - 11/12/17	3,881.35	2,500.00	1,381.35	0.00	1,381.35
Subtotal		40,653.74	17,500.00	23,153.74	0.00	23,153.74
4. Acting Department Manager	12/13/16 - 01/12/17	3,074.98	2,500.00	574.98	0.00	574.98
	05/13/17 - 06/12/17	3,000.00	2,500.00	500.00	0.00	500.00
	06/13/17 - 07/12/17	3,136.99	2,500.00	636.99	0.00	636.99
Subtotal		9,211.97	7,500.00	1,711.97	0.00	1,711.97
5. Department	11/13/16 - 12/12/16	2,799.18	2,500.00	299.18	0.00	299.18

Designation	Billing Period	Actual billing per SOA	Limit	Excess of billing over limit	Amount charged to employee	For refund
Manager	12/13/16 - 01/12/17	3,124.18	2,500.00	624.18	0.00	624.18
	01/13/17 - 02/12/17	3,014.98	2,500.00	514.98	0.00	514.98
	02/13/17 - 03/12/17	3,404.89	2,500.00	904.89	0.00	904.89
	03/13/17 - 04/12/17	3,209.88	2,500.00	709.88	0.00	709.88
	04/13/17 - 05/12/17	3,144.97	2,500.00	644.97	0.00	644.97
	05/13/17 - 06/12/17	3,224.91	2,500.00	724.91	0.00	724.91
	06/13/17 - 07/12/17	3,464.93	2,500.00	964.93	0.00	964.93
	07/13/17 - 08/12/17	3,479.88	2,500.00	979.88	0.00	979.88
	08/13/17 - 09/12/17	3,369.88	2,500.00	869.88	0.00	869.88
	09/13/17 - 10/12/17	3,374.92	2,500.00	874.92	0.00	874.92
	10/13/17 - 11/12/17	3,335.01	2,500.00	835.01	0.00	835.01
Subtotal		38,947.61	30,000.00	8,947.61	0.00	8,947.61
6. Acting Department Manager	11/13/16 - 12/12/16	2,811.73	2,500.00	311.73	0.00	311.73
Subtotal		2,811.73	2,500.00	311.73	0.00	311.73
7. Department Manager	11/29/16 - 12/28/16	2,899.99	2,500.00	399.99	0.00	399.99
	03/01/17 - 03/28/17	2,644.67	2,500.00	144.67	0.00	144.67
Subtotal		5,544.66	5,000.00	544.66	0.00	544.66
8. Department Manager	11/29/16 - 12/28/16	2,591.09	2,500.00	91.09	0.00	91.09
	12/29/16 - 01/28/17	3,097.01	2,500.00	597.01	0.00	597.01
	01/29/17 - 02/28/17	4,365.65	2,500.00	1,865.65	76.56	1,789.09
	03/01/17 - 03/28/17	2,801.69	2,500.00	301.69	0.00	301.69
	03/29/17 - 04/28/17	3,093.92	2,500.00	593.92	0.00	593.92
	04/29/17 - 05/28/17	2,991.58	2,500.00	491.58	0.00	491.58
	05/29/17 - 06/28/17	2,963.30	2,500.00	463.30	0.00	463.30
	06/29/17 - 07/28/17	3,344.17	2,500.00	844.17	0.00	844.17
	07/29/17 - 08/28/17	4,620.39	2,500.00	2,120.39	310.32	1,810.07
	08/29/17 - 09/28/17	2,887.08	2,500.00	387.08	0.00	387.08
	10/29/17 - 11/28/17	3,574.42	2,500.00	1,074.42	0.00	1,074.42
Subtotal		36,330.3	27,500	8,830.3	386.88	8,443.42
9. OIC - Department Manager	12/29/16 - 01/28/17	2,900.03	2,500.00	400.03	0.00	400.03
	05/29/17 - 06/28/17	2,782.50	2,500.00	282.50	0.00	282.50
Subtotal		5,682.53	5,000.00	682.53	0.00	682.53
10. Head Technical Assistant	09/01/17 - 10/12/17	9,373.53	1,200.00	8,173.53	4,014.28	4,159.25
	10/13/17 - 11/12/17	1,503.99	1,200.00	303.99	0.00	303.99
Subtotal		10,877.52	2,400.00	8,477.52	4,014.28	4,463.24
11. Technical Assistant	04/13/17 - 05/12/17	2,199.99	1,200.00	999.99	0.00	999.99
	05/13/17 - 06/12/17	2,199.99	1,200.00	999.99	0.00	999.99
	11/13/16 - 12/12/16	1,800.00	1,200.00	600.00	407.14	192.86
	12/13/16 - 01/12/17	1,800.00	1,200.00	600.00	407.14	192.86
	01/13/17 - 02/12/17	1,800.00	1,200.00	600.00	407.14	192.86
	02/13/17 - 03/12/17	1,800.00	1,200.00	600.00	407.14	192.86
	03/13/17 - 04/12/17	6,942.10	1,200.00	5,742.10	3,798.30	1,943.80
	04/13/17 - 05/12/17	1,800.00	1,200.00	600.00	0.00	600.00
	05/13/17 - 06/12/17	1,800.00	1,200.00	600.00	407.14	192.86
	06/13/17 - 07/12/17	1,800.00	1,200.00	600.00	407.14	192.86
	07/13/17 - 08/12/17	1,800.00	1,200.00	600.00	407.14	192.86
	08/13/17 - 09/12/17	1,800.00	1,200.00	600.00	407.14	192.86
	09/13/17 - 10/12/17	1,800.00	1,200.00	600.00	407.14	192.86
	10/13/17 - 11/12/17	1,800.00	1,200.00	600.00	407.14	192.86
Subtotal		31,142.08	16,800.00	14,342.08	7,869.70	6,472.38
12. Technical Assistant	11/29/16 - 12/28/16	2,176.84	1,200.00	976.84	585.71	391.13
	12/29/16 - 01/28/17	2,061.45	1,200.00	861.45	585.71	275.74
	01/29/17 - 02/28/17	2,121.94	1,200.00	921.94	585.71	336.23
	03/01/17 - 03/28/17	2,059.02	1,200.00	859.02	585.71	273.31

Designation	Billing Period	Actual billing per SOA	Limit	Excess of billing over limit	Amount charged to employee	For refund
	03/29/17 - 04/28/17	2,081.43	1,200.00	881.43	585.71	295.72
	04/29/17 - 05/28/17	2,096.42	1,200.00	896.42	585.71	310.71
	05/29/17 - 06/28/17	2,156.86	1,200.00	956.86	585.71	371.15
	06/29/17 - 07/28/17	2,217.81	1,200.00	1,017.81	585.71	432.10
	07/29/17 - 08/28/17	2,046.97	1,200.00	846.97	585.71	261.26
	08/29/17 - 09/28/17	2,399.20	1,200.00	1,199.20	585.71	613.49
	09/29/17 - 10/28/17	2,609.48	1,200.00	1,409.48	585.71	823.77
	10/29/17 - 11/28/17	2,410.15	1,200.00	1,210.15	585.71	624.44
Subtotal		26,437.57	14,400.00	12,037.57	7,028.52	5,009.05
13. Technical Assistant	11/29/16 - 12/28/16	2,325.79	1,200.00	1,125.79	139.29	986.50
	12/29/16 - 01/28/17	1,911.73	1,200.00	711.73	139.29	572.44
	01/29/17 - 02/28/17	1,936.54	1,200.00	736.54	139.29	597.25
	03/01/17 - 03/28/17	1,873.57	1,200.00	673.57	139.29	534.28
	03/29/17 - 04/28/17	1,982.14	1,200.00	782.14	139.29	642.85
	04/29/17 - 05/28/17	2,018.98	1,200.00	818.98	139.29	679.69
	05/29/17 - 06/28/17	1,938.82	1,200.00	738.82	139.29	599.53
	06/29/17 - 07/28/17	2,746.92	1,200.00	1,546.92	139.29	1,407.63
	07/29/17 - 08/28/17	2,178.87	1,200.00	978.87	139.29	839.58
	08/29/17 - 09/28/17	2,232.62	1,200.00	1,032.62	139.29	893.33
	09/29/17 - 10/28/17	2,548.16	1,200.00	1,348.16	139.29	1,208.87
	10/29/17 - 11/28/17	1,988.46	1,200.00	788.46	139.29	649.17
Subtotal		25,682.60	14,400.00	11,282.60	1,671.48	9,611.12
14. ** Technical Assistant	11/29/16 - 12/28/16	1,864.80	LWOP	1,864.80	0.00	1,864.80
	01/29/17 - 02/28/17	1,284.73	LWOP	1,284.73	0.00	1,284.73
	03/29/17 - 04/28/17	1,274.36	LWOP	1,274.36	0.00	1,274.36
	04/29/17 - 05/28/17	1,209.80	1,200.00	9.80	0.00	9.80
	05/29/17 - 06/28/17	1,424.32	1,200.00	224.32	0.00	224.32
	07/29/17 - 08/28/17	1,291.28	1,200.00	91.28	0.00	91.28
	08/29/17 - 09/28/17	1,525.54	1,200.00	325.54	0.00	325.54
Subtotal		9,874.83	4,800.00	5,074.83	0.00	5,074.83
Total		266,021.98	165,300.00	100,721.98	20,970.86	79,751.12

*Only designated as Department Manager for Water Quality on March 23, 2017

**On leave without pay for the billing periods 11/29/16 to 4/28/17

	Position	Month (CY 2017)	No. of times official vehicle was used	TA for the month	Amount to be refunded *	Total amount
1	Chief Regulator	May	2	10,000.00	909.09	1,818.18
		June	2	10,000.00	909.09	
2	DA - Financial Regulation Area	May	1	4,500.00	204.55	8,204.55
		June	2	9,000.00	818.18	
		July	2	9,000.00	818.18	
	Chief Regulator	August	4	10,000.00	1,818.18	
		September	1	10,000.00	454.55	
		October	4	10,000.00	1,818.18	
		November	3	10,000.00	1,363.64	
		December	2	10,000.00	909.09	
3	DA, Administration & Legal Affairs	April	1	9,000.00	409.09	5,727.26
		May	2	9,000.00	818.18	
		June	1	9,000.00	409.09	
		July	4	9,000.00	1,636.36	
		August	2	9,000.00	818.18	
		September	1	9,000.00	409.09	
		October	2	9,000.00	818.18	
		December	1	9,000.00	409.09	
4	DA, Technical Regulation Area	April	1	9,000.00	409.09	6,545.44
		May	2	9,000.00	818.18	
		July	2	9,000.00	818.18	
		August	3	9,000.00	1,227.27	
		September	3	9,000.00	1,227.27	
		October	3	9,000.00	1,227.27	
		December	2	9,000.00	818.18	
5	DA, Customer Service Regulation	May	1	9,000.00	409.09	818.18
		June	1	9,000.00	409.09	
6	DA, Customer Service Regulation	October	4	9,000.00	1,636.36	2,863.63
		December	3	9,000.00	1,227.27	
7	DM - Tariff Control & Monitoring	June	1	7,500.00	340.91	3,178.97
	Acting DA, Financial Regulation	August	1	8,437.50	383.52	
		September	2	9,000.00	818.18	
		October	2	9,000.00	818.18	
		December	2	9,000.00	818.18	
8	DM, Administration	June	2	7,500.00	681.82	2,045.46
		July	2	7,500.00	681.82	
		August	1	7,500.00	340.91	
		September	1	7,500.00	340.91	
9	Acting DM, Legal Affairs	July	2	7,500.00	340.91	1,363.64
		September	1	7,500.00	681.82	
		November	1	7,500.00	340.91	
10	Acting DM, Water Quality	January	1	7,500.00	340.91	6,477.29
		June	3	7,500.00	1,022.73	
		July	1	7,500.00	340.91	
		August	4	7,500.00	1,363.64	
		September	4	7,500.00	1,363.64	
		October	3	7,500.00	1,022.73	
		November	2	7,500.00	681.82	
		December	1	7,500.00	340.91	
11	Acting DM, Operations Monitoring	April	1	7,500.00	340.91	
		June	4	7,500.00	1,363.64	
		July	1	7,500.00	340.91	
		August	1	7,500.00	340.91	

		September	2	7,500.00	681.82	
		October	3	7,500.00	1,022.73	4,090.92
12	DM, Complaints	April	1	7,500.00	340.91	
		September	1	7,500.00	340.91	
		October	2	7,500.00	681.82	
		December	1	7,500.00	340.91	1,704.55
13	DM, Metering Efficiency	April	1	7,500.00	340.91	
		June	1	7,500.00	340.91	
		July	1	7,500.00	340.91	
		September	1	7,500.00	340.91	
		October	2	7,500.00	681.82	2,045.46
14	Acting DM, Administration	May	1	7,500.00	340.91	
		June	2	7,500.00	681.82	1,022.73
15	Acting DM - Public Information Department	August	1	4,687.50	213.07	
		October	3	7,500.00	1,022.73	1,235.80
TOTAL				558,625.00	49,142.06	49,142.06

•proportionate amount computation: (monthly TA x No. of days the vehicle was used for the month)/ 22 days