

## AUDIT OBSERVATIONS AND RECOMMENDATIONS

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### A. Financial Audit – Corporate Office

#### *Property, Plant and Equipment*

1. The validity and accuracy of the Property, Plant and Equipment (PPE) with net book value of P45.533 billion were doubtful due to various deficiencies noted totaling P14.852 billion or 32.6 per cent of the total PPE thus, not in conformity with the Conceptual Framework, to wit:
  - a. Unreconciled net variance of P3.248 billion on Land, Office Building and Other Structures between the records of Finance Department and Inventory Report of the Asset Management Department contrary to COA Circular No. 80-124;
  - b. No physical inventory was conducted for General Administrative Equipment which is composed of Machinery and Equipment, Transportation Equipment, and Furniture and Fixtures and Books with total net book value of P221.498 million;
  - c. Absence of proof of ownership over the 175 land assets totaling 3,784,012.70 sq. m. with net book value of P4.912 billion, and unrecorded 23 land titles;
  - d. The land area of 15 Transfer Certificate of Titles (TCTs) and lot number of 6 TCTs in the Inventory Report differed from the actual inventory/inspection of the TCTs. Also, the three TCTs' land area descriptions are handwritten and four are with physical damages;
  - e. Various Office Building and Other Structures totaling P5.117 billion were noted as no longer existing, dilapidated, non-operational and abandoned;
  - f. Unserviceable properties totaling P340.982 million remained undisposed which is not in accordance with National Budget Circular (NBC) No. 425 or the Manual on Disposal of Government Property. Also, the reduction of P23.180 million or 6.37 per cent was merely thru transfer without cost to various government agencies; and
  - g. Improperly recorded transactions totaling P1.013 billion
    - g.1. Thirteen (13) lots reported as not-in-service valued at P853.253 million remained recorded as PPE-Land instead of Investment Property in conformity with PPSAS 16;
    - g.2. Six completed projects with accumulated cost of P159.654 million still recorded in the Construction-in-Progress account instead of the appropriate asset account;
    - g.3. One hundred seven (107) items of Paintings and Sculptures amounting to P467,700 were recorded under Furniture and Fixtures account instead of the appropriate Heritage Asset account pursuant to PPSAS 17; and

- g.4. Various items of Other Structures and Office Building totaling P112,159 which do not meet the capitalization threshold, remained in the books, contrary to Section 3, Chapter 10 of the Government Accounting Manual.**

**Non-submission of Property Inventory Form which served as basis for the assessment of general insurance coverage over all insurable assets, properties and interests of the government with the General insurance Fund of the Government Service Insurance System in violation with COA Circular No. 2018-002.**

- 1.1. Section 58 of P.D. No 1445 provides that:

*“Audit of Assets-the examination and audit of assets shall be performed with a view to ascertaining their existence, ownership, valuation and encumbrances as well as the propriety of items composing the respective asset accounts, determining their agreement with records; proving the accuracy of such records; ascertaining if the assets were utilized economically, efficiently and effectively, and evaluation the adequacy of controls over the accounts.”*

- 1.2. The MWSS-Corporate Office has a PPE net book value of P45.533 billion that is equivalent to 81.60 per cent of its total assets of P55.802 billion as at year-end.
- 1.3. 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. (MWCI).
- 1.4. The PPE account is broken down as follows:

<b>Account Title</b>	<b>Amount</b>
Land	13,421,611,542
Building and Other Structures	2,703,422,681
Machinery and Equipment	33,026,700
Transportation Equipment	2,704,245
Furniture, Fixtures and Books	742,019
Service Concession Assets	27,120,852,290
Construction-in-Progress	2,250,423,671
<b>Total</b>	<b>45,532,783,148</b>

- 1.5. Analysis of the PPE transactions showed the following observations:

- a. **Unreconciled net variance of P3.248 billion on Land, Office Building and Other Structures between the records of Finance Department and Inventory Report of the Asset Management Department (AMD)**

COA Circular No. 80-124 re: Inventory of Fixed Assets of Government Owned and/or Controlled Corporations provides the guidelines for inventory-taking stating that the inventory report shall be properly reconciled with the accounting records.

The Accounting records and Inventory Report showed a net variance of P3.248 billion, as shown below:

Account Name	Net Book Value		
	Accounting Records	Inventory Report	Variance
Land (incl. Other Assets)	20,566,733,876	19,645,529,227	921,204,649
Office Building	166,936,217	180,004,053	(13,067,836)
Other Structures	22,920,897,466	27,076,897,095	(4,155,999,629)
<b>Total</b>	<b>43,654,567,559</b>	<b>46,902,430,375</b>	<b>(3,247,862,816)</b>

The variances were attributable to the following:

*For Land:*

1. 69 parcels of land lots with book value of **P931,524,049** and a land with property number "201-01-99-For recon 580tsqm" with a **negative balance of P10,319,400** were recognized in the Accounting records but not included in the Inventory Report.
2. Included in the Inventory Report are 75 lots with total area of 1,852,728 sq. m., of which 19 are with TCTs/supporting documents in the custody of AMD and 56 are still for verification. These were not recognized in the Accounting records pending determination of the fair market value of the properties.

*For Office Building:*

3. Four (4) items of Office Building with net book value of **P1,986** were not recorded in the Accounting records. However, three of which valued at P1,225 have original cost which do not meet the capitalization threshold.
4. 28 items of Office Buildings has a net book value of P117,126,156 which is higher than the accounting books by **P13,065,850**.

*For Other Structures:*

5. Fourteen (14) Other Structures with net book value of **P6,753,370** were recorded in the accounting books but not included in the Inventory Report. On the other hand, seven (7) Other Structures costing **P7,700,675** were included in the Inventory Report but not recorded in the Accounting books.
  6. Other Structure with property no. 215-01-03-03-1-SPMN-03-00019 was presented in the Inventory Report both under turned over Common Purpose Facility (CPF) and turned over to MWSI in the amount **P2,739,958,780**.
  7. 485 Other Structures reported a balance of P21,096,403,465 per Inventory Report which is higher than the net book value per Accounting books by **P1,414,845,454**.
  8. **P248,090** worth of Other Structures were undetermined reconciling items.
- b. **No physical inventory was conducted for General Administrative Equipment (GAE) which is composed of Machinery and Equipment, Transportation Equipment, and Furniture and Fixtures and Books with total net book value of P221.498 million**

COA Circular No. 80-124 dated January 18, 1980 provides that Physical inventory-taking is an indispensable procedure for checking the integrity of property custodianship which has to be regularly enforced and that the inventory reports shall be submitted to the Auditor not later than January 31 of each year, unless extended by the Chairman upon prior request of the head of agency concerned.

However, as per verification, no physical inventory was conducted in CY 2018 for the GAE with total book value of P221,498,333.

**c. Absence of proof of ownership over the 175 land assets totaling 3,784,012.70 sq. m. with net book value of P4.912 billion, and unrecorded 23 land titles**

An inventory of MWSS land titles, kept by the AMD in a secured vault, was conducted in September 2018 and noted that the 104 land titles indicated in the Inventory Report are missing. It covers a total land area of 1,369,437.90 sq. m. and a net book value of P2,047,480,060.

Likewise, the TCTs of 71 land assets with total lot area of 2,404,574.80 sq. m. valued at P2,864,323,184 are also missing. These land assets are reported as without land title number in the Inventory report.

In addition, there are 23 land titles in the custody of the AMD with total area of 3,542,562.65 sq. m. which are not recorded in the Physical Inventory Report and Accounting records.

These noted deficiencies pose doubt as to the validity of claims of the MWSS as to the ownership of the land and adequacy of record keeping and monitoring of all MWSS land titles.

**d. The land area of 15 TCTs and lot number of 6 TCTs in the Inventory Report differed from the actual inventory/inspection of the TCTs. Also, the three TCTs' land area descriptions are handwritten and four are with physical damages.**

1. Fifteen (15) TCTs with discrepancies in reported land area per Inventory Report

No.	Description	Title No.	Lot Area	
			Per Inventory Report	Per TCT
1	Caloocan City, SN-PSS-7, LN-PARCEL-2, Area 13,669.63 sq. m., HC 61,496.83,	18397	13,669.63 sq. m.	136,659 sq. m.
2	Novaliches, La Mesa Quezon City, SN-PCS-7, LN-975, Area 248,450.00 sq. m., HC 16,267.26, Raw Land	10917	248,450 sq. m.	248,050 sq. m.
3	Novaliches, Quezon City (Commonwealth, Novaliches, Q.C.-La Mesa Reservation at Payatas), SN-PCS-7568, LN-49-A, Area 121,435.00/	10103 Part	121,435 sq. m.	121,433 sq. m.

No.	Description	Title No.	Lot Area	
			Per Inventory Report	Per TCT
	[121,433.00]sqm,HC-54,645.75			
4	Novaliches, Quezon City (Commonwealth, Novaliches, Q.C.- La Mesa Reservation at Payatas), SN-PCS-7568, LN-68-A, Area 34,087.00 sqm, HC-15,339.15 Reservation	10103 Part	34,087 sq. m.	34,007 sq. m.
5	Novaliches, Cal. City (Commonwealth, Capitol-La Mesa Reservation), SN-PSO-12294, LN-1120-13, Area 90,756.00 sqm, HC-40,840.20	66093/25999	90,756 sq. m.	96,953 sq. m.
6	Antipolo, Rizal (Boso-Boso), SN-Plan II-3428, LN-RCG-II-18, Area 15,071,451.00 sq.m., HC-944,630.45 Bgy. Boso-Boso Antipolo, Rizal (Agricultural Land)	196427	12,740,680 sq. m.	12,746,680 sq. m.
7	Tinucan, Tanay, Rizal, PSD-166403,25Area1,000sq m, HC840.83	M-39999	1,000 sq. m.	1,009 sq. m.
8	Mamuyao, Tanay, Rizal, PIS-39,659 Area 200,001sqm, HC1,500,007.5	M-46575	200,001 sq. m.	20,001 sq. m.
9	Novaliches, La Mesa Quezon City, SN-PCS-7, LN, Area 63,382.00sqm, HC28,521.90, Reservoir Area	15754	63,382 sq. m.	No area indicated in the face of the title. Also, per AMD record sheet, total area is 60,033.6 sq. m.
10	Tala, Novaliches, Q.C. (Commonwealth, Capitol. Q.C.-Part of La Mesa Reservation), SN-PCS-7, LN-706, Area 205,561.00sqm, HC-92,502.45 Amparo Subdivision Novaliches Q C (ROW)	15755	205,561 sq. m.	No area indicated in the face of the title. Also, per AMD record sheet, total area is 200,055.6 sq. m.
11	Tala, Novaliches, Q.C. (B. Silangan, Capitol, Novaliches QC-Part of La Mesa Reservation), SN-PCS-7, LN-992, Area 71,599.00sqm, HC-	15756	71,599 sq. m.	No area indicated in the face of the title. Also, per AMD record sheet, total area is 70,016 sq. m.

No.	Description	Title No.	Lot Area	
			Per Inventory Report	Per TCT
	32,219.55 Novaliches, Q C (Raw Land)			
12	Novaliches, La Mesa, SN-PCS-7, LN-, Area 59,022.00 sqm, HC 26,559.90, Raw Land	15760	59,022 sq. m.	No area indicated in the face of the title. Also, per Record sheet, total area is 50,090.2 sq. m.
13	Novaliches, Cal. City (Commonwealth Novaliches-Part of La Mesa Reservation), SN-PCS-7, LN-991-A (117), Area 192,995.00 sqm, HC-86,847.75 Novaliches, QC near Lagro Subd. (Raw Land)	15761	192,995 sq. m.	No area indicated in the face of the title. Also, per AMD record sheet, total area is 190,030 sq. m.
14	Novaliches, La Mesa, SN-PCS-7, LN-, Area 0,417.00 sq. m., HC 0,187.65, Raw Land	15759	417 sq. m.	No area indicated in the face of title.
15	Novaliches, Quezon City (Payatas, Commonwealth, Capitol Q.C.- La Mesa reservation at Payatas), SN-PCS-7568, LN-69-A, Area 1,356.00 sq. m., HC-0,610.20 Reservation	10103 Part	1,356 sq. m.	Total area is illegible. Also, per AMD record Sheet, total area is 309,614 sq. m

2. Six (6) TCTs have discrepancy on the Title/Lot Number with the Inventory Report

No.	Description	Title/Lot No.	
		Per Inventory Report	Per Inspection
1	Tandang Sora, Q.C., SN-04-002309, LN-394-A-19, Area 0,529.00 sqm, HC 52,900.00,	TCT No. 277226	TCT No. RT-99032 (277126)
2	Bagbag T. Sora, SN-69855, LN-596-A, Area 0,789.00 sqm, HC 31,560.00,	TCT No. 145540	TCT No. 214136
3	Tala, Novaliches, Cal. City, SN-PCS-7, LN-698, Area 279,830.00 sqm, HC 18,321.87, Novaliches Reservoir Area	TCT No. 15802	TCT No. 15602
4	Ibucao, Laiban, Tanay, Rizal, PIS-39,255 Area 61,126 sqm, HC 51,345.84	Lot No. 255	Lot No. 256
5	Sergio Calelero-Andres Calelero OCT 687 (CAF MWSP III 560-94(401) Lot No. 70 PLS 475 Bgy. Mamuyao, Tanay, Rizal Area by Sq. M 100,000 Price / sq m 9.35	Lot No. 71	Lot No. 73

No.	Description	Title/Lot No.	
		Per Inventory Report	Per Inspection
6	Lolita Agullo Vda. De Donato OCT 769 M-129 Lot No. 91 PLS 475-D Brgy. Mamuyao, Tanay, Rizal Area by Sq. M 95,395 Price/ sq. m. 10	Lot No. 91	Lot No. 94

3. Seven (7) TCTs with reportable condition on its physical feature

No.	Title No.	Area	Remarks
1	6	126,871 sq. m.	Total area is hand written
2	7	85,327 sq. m.	Total area is hand written
3	11	152,741 sq. m.	Total area is hand written
4	10103	10,268,055 sq. m.	TCT is marked as cancelled and torn
5	23890	15,050 sq. m.	TCT is torn and ineligible
6	23892	3,756 sq. m.	TCT is torn and ineligible
7	23894	6,431 sq. m.	TCT is torn and ineligible

- e. **Various Office Building and Other Structures totaling P5.117 billion were noted as no longer existing, dilapidated, non-operational and abandoned**

CY 2018 Inventory Report showed that 76 items of Office Building and 428 items of Other Structures with net book value of P5,116,572,572 were missing, abandoned, dilapidated or non-operational. Thus, the validity and existence of the PPE year-end balance in the Accounting records was doubtful, as follows:

1. Office Building

Status	No. of Items	Net Book Value
Not existing	66	786,911
Dilapidated	10	807,646
<b>Total</b>	<b>76</b>	<b>1,594,557</b>

2. Other Structures

Status	No. of Items	Net Book Value
Not existing	298	72,767,484
Abandoned	17	272,318,035
Dilapidated	8	1,428,496
Unoperational	105	4,768,464,000
<b>Total</b>	<b>428</b>	<b>5,114,978,015</b>

- f. **Unserviceable properties totaling P340.982 million remained undisposed which is not in accordance with National Budget Circular (NBC) No. 425 or the Manual on Disposal of Government Property. Also, the reduction of P23.180 million or 6.37 per cent was merely thru transfer without cost to various government agencies.**

Section A, Part I of NBC No. 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.*”

Though Management has increased its efforts to dispose unserviceable GAEs for 2018, a significant balance of P340.982 million unserviceable GAEs remained undisposed which may further deteriorate and loss its value.

<b>Unserviceable GAEs</b>	<b>Amount</b>
Turned Over old GAE by MWSI	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	236,187,874
<b>Total Unserviceable GAE as of CY 2016</b>	<b>372,058,958</b>
<b>Disposed in CY 2017</b>	<b>(7,896,621)</b>
<b>Disposed thru transfer in CY 2018</b>	<b>(23,180,321)</b>
<b>Total Unserviceable GAE as of CY 2018</b>	<b>340,982,016</b>

It is further noted that all disposal of unserviceable GAEs costing P23,180,321 were merely thru transfer without cost to various government agencies. Management could have generated an additional income, had these unserviceable GAEs were disposed thru public bidding which is most advantageous to the MWSS.

**g. Improperly recorded transactions totaling P1.013 billion**

**1. Thirteen (13) lots reported as not-in-service valued at P853.253 million remained recorded as PPE-Land instead of the Investment Property account, in conformity with PPSAS 16**

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.

These various items of land with total area of 309,463 sq. m. reported as not-in-service in the Inventory Report remained recorded in the Accounting books as PPE-Land, instead of the appropriate Investment Property account.

<b>Location</b>	<b>No. of Lots</b>	<b>Amount</b>
Marikina City	2	20,685,080
Muntinlupa City	1	80,000,000
Pasig City	1	291,000
Quezon City	2	735,000,000
San Mateo, Rizal	7	17,276,960
<b>Total</b>	<b>13</b>	<b>853,253,040</b>

**2. Six completed projects with accumulated cost of P159.654 million remained recorded in the Construction-in-Progress (CIP) account instead of the appropriate asset account**

The following projects were already completed since 2002 to 2009. Likewise, verification of the MWSS' Report on Programs/Projects/Activities showed that the same were no longer included as on-going projects as of December 31, 2018.

<b>Fund No.</b>	<b>Fund Name</b>	<b>Balance</b>
Fund 77	Angat Water Supply Optimization Project	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
<b>Total</b>		<b>159,654,268</b>

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

**3. One hundred seven (107) items of Paintings and Sculptures amounting to P467,700 were recorded under the account Furniture and Fixtures instead of the appropriate Heritage Asset account, pursuant to PPSAS 17**

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.

Verification of the account disclosed that 107 paintings have been issued an Inventory Certificate by the National Museum, Cultural Property Division as Contemporary Paintings in accordance with the R.A. No. 10066, however, these were not reclassified as Heritage Assets.

Also, there are remaining four paintings and 20 sculptures in the books with carrying amount of P16,300 and P61,800, respectively, which were not yet assessed by an expert to be declared as done by National Artists of the Philippines.

Furthermore, three out of the 107 paintings amounting to P9,000 were not recorded in the Accounting Books.

**4. Various items of Other Structures and Office Building totaling P112,159 which do not meet the capitalization threshold, remained in the books**

Two hundred two (202) items of Other Structures with carrying amount of P103,458 and 18 items of Office Building with balance of P8,701 which have original cost of less than the P15,000 capitalization threshold remained recorded in the accounting books instead of dropping from the books, as prescribed under Section 3, Chapter 10 of the Government Accounting Manual.

**h. Non-submission of Property Inventory Form (PIF) which is used as a basis for the assessment of general insurance coverage over all insurable assets, properties and interests of the government with the General Insurance Fund of the Government Service Insurance System (GSIS) in violation of COA Circular No. 2018-002.**

COA Circular No. 2018-002 dated May 31, 2018 provides the guidelines prescribing the submission of Property Inventory Form not later than April 30 of each year. It

sets out the guidelines that the head of agency shall direct the pertinent official under his supervision to:

- a. Secure from GSIS GIF, all insurances or bonds;
- b. Prepare PIF listing of all the insurable properties and other assets;
- c. Extract the data of the PIF from the Report on the Physical Count of PPE;
- d. Cause the appraisal of the insurable properties and other assets;
- e. Submit the consolidated PIF to this Commission and to GSIS not later than April 30 of each year;
- f. Include in the agency annual budget the amount of premiums for the general insurance coverage; and
- g. Ensure centralized payment of insurance premiums.

To date, Management has submitted only the 10 existing GSIS Insurance coverage with total sum insured of P37,621,473,533. No duly accomplished PIF was submitted to this Office and to GSIS to validate the completeness and adequacy of the existing coverage.

**1.6. We recommended that Management:**

- a. **Analyze and reconcile the Inventory Report with the Accounting records to establish the accuracy of the recorded balances of the PPE accounts;**
- b. **Conduct an inventory taking of GAEs and submit the corresponding Inventory Reports;**
- c. **Secure the land titles of the 175 land assets to support claims of ownership over the lands recorded in the books; and evaluate the unrecorded 23 land titles if these should be taken up in the Inventory Report and Accounting books;**
- d. **Make the necessary corrections in the Inventory Report to conform to the land area and title/lot number reflected in the Land Titles;**
- e. **Provide a specific status on the properties reported as not-in-service and abandoned together with a Management plan for the utilization of these properties;**
- f. **Determine the various PPE items which cannot be located/missing;**
- g. **Effect the necessary reclassification entries on the following:**
  - i. **Land reported as not-in-service recorded in the accounting books as PPE-Land to the appropriate Investment Property account pursuant to PPSAS 16;**
  - ii. **The cost of completed projects from CIP account to the appropriate PPE accounts duly supported with Certificate of Completion and Acceptance and compute the accumulated depreciation from the year of project completion;**

- iii. **The 107 items of painting with corresponding inventory certificate issued by the National Museum to the appropriate Heritage Asset account pursuant to PPSAS 17;**
- h. **Drop from the Accounting books and Inventory Report the identified various items recorded as Other Structures and Office Buildings which do not meet the capitalization threshold of P15,000;**
- i. **Obtain an Inventory Certificate from the National Museum for the remaining items of paintings and sculptures in compliance with RA No. 10066;**
- j. **Expedite the 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 to generate additional funds for the Agency; and**
- k. **Prepare and submit the Property Inventory Form as required under COA Circular No. 2018-002 in order to determine the accuracy of the insurance coverage of the MWSS properties.**

1.7. No Management comment was received.

<b><i>Other Receivable</i></b>
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2. **The year-end balance of the Other Receivable account of P5.618 billion was not reliable due to inclusion of P4.175 billion or 74 per cent of which are: (a) disputed claims by MWSI consisting of borrowing cost amounting to P4.048 billion which is uncertain of collection and (b) guarantee deposits of active customers already transferred to MWSI and MWCI amounting to P64.799 million and P62.308 million respectively.**

2.1. Paragraph 29b of PPSAS 1 provides that a fair presentation requires an entity:

*“to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information. Reliable information is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent. The information in financial statements should be complete within the bounds of materiality and cost.”*

2.2. Audit of the Other Receivable account with a reported balance of P5.618 billion showed the same observations as in prior year's, as follows:

a. **Disputed claims by MWSI consisting of borrowing cost amounting to P4.048 billion which is uncertain of collection**

Total claims of P4.048 billion were included in the year-end balance of the account despite being disputed by the MWSI, as follows:

Particulars	Amount
Cost of Borrowing	
MWSI-Borrowing Cost-BNP PARIBAS-US\$150M- Withholding Tax and interest	3,952,833,427.60
Interest/Penalty on Unpaid Borrowing Cost	95,246,566.31
<b>Total</b>	<b>4,048,079,993.91</b>

As per Notes to the Financial Statement: “MWSS is still pursuing the disputed claims on cost of borrowings from Maynilad Water Services., Inc. relative to BNP Paribas loan”. This includes the principal, interest and finance charges such as bank conversions, documentary stamps, cable charges and penalties. Given the uncertainty of MWSS’ claim, the recognition of the same as Other Receivable is deemed not appropriate as reiterated in prior year’s audit.”

PPSAS 19 defined a contingent asset as:

*“is 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)

Further, PPSAS 19 states that:

*“Contingent assets are not recognized, but are disclosed when it is more likely than not that an inflow of benefits will occur.”*

**b. Guarantee deposits with MWSI and MWCI amounting to P64.799 million and P62.308 million, respectively.**

Guarantee deposits are customer deposits prior to the privatization of the MWSS. These amounts were withheld by the two concessionaires from the collection of accounts receivable from water and sewer services of the MWSS on the onset of the privatization where the concessionaires were authorized to collect.

Historically, the MWSS Administrator requested from the MWCI and MWSI to refund the guarantee deposits from inactive customers which were deducted from the collections of the MWSS receivable from customers. The concessionaires remitted a total amount of P18.911 million leaving a balance of P21.189 million, to wit:

Guarantee Deposits withheld by	Amount Withheld	Amount Paid/Remitted by Concessionaires	MWSS’ claim for refund from the Concessionaires
MWCI	9,901,983	6,626,987	(3,274,996)
MWSI	30,197,648	12,284,007	(17,913,641)
<b>Total</b>	<b>40,099,631</b>	<b>18,910,994</b>	<b>(21,188,637)</b>

The balance of guarantee deposits of active customers prior to privatization assumed by the concessionaires should have been P127.107 million, in the

event that the computation and assessment of MWSS is accurate and acceptable to them, as follows:

Other Receivables-Guarantee Deposits	Balance as of December 31, 2018	MWSS' claim for refund from the Concessionaires	Should be balance after refund
MWCI	65,583,130	(3,274,996)	62,308,134
MWSI	82,712,511	(17,913,641)	64,798,870
<b>Total</b>	<b>148,295,641</b>	<b>(21,188,637)</b>	<b>127,107,004</b>

The amount of P21.189 million which represents claim against the concessionaires should only be the amount to be recognized in the books as Other Receivables-Guarantee Deposits and the MWSS should cease to recognize the guarantee deposits of P127.107 million from active customers that have already been transferred to the concessionaires in accordance with the Conceptual Framework for Financial Reporting of PPSAS that:

*“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.”*

Further, it is observed that 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 determine the accuracy of the guarantee deposits paid by the customers prior to privatization of its operation.

**2.3. We recommended that Management:**

- a. **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; and**
- b. **Analyze and make necessary adjustments in the Other Receivables account representing the guarantee deposits of active customers which have been transferred to the concessionaires.**

2.4. No Management comment was received.

**Other Assets**

3. **The reported year-end balance of Other Assets account totaling P1.920 billion was doubtful affecting fair presentation of the financial statements in accordance with Paragraph 27 of PPSAS 1, to wit:**
  - a. **Undocumented garnished, dormant and unreconciled accounts totaling P1.205 billion;**
  - b. **Idle lands valued at P593.706 million are still recorded under Other Asset accounts instead of the appropriate Investment Property Account at cost;**

- c. **Asbestos cement pipes disposed in CY 2014 remained in the books with carrying value of P82.634 million; and**
- d. **Various non-operational assets amounting to P38.816 million which remained undisposed for more than 10 years were no longer monitored by the Asset Management Department, thus, physical existence is questionable.**

3.1. Paragraph 27 of PPSAS 1, Presentation of Financial Statements, provides that financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in PPSAS.

PPSAS 1 also provides the qualitative characteristics of financial reporting which are the attributes that make the information provided in financial statements useful to users. Two of which are reliability and faithful representation of the information.

Moreover, PPSAS 16 defined Investment Property as a property (land or building) held to earn rentals or for capital appreciation, or both, rather than for:

- Use in the production or supply of goods or services, or for administrative purposes; or
- Sale in the ordinary course of operations/business.

Philippine Application Guidance (PAG) 2 of PPSAS 16 prescribes the adoption of cost model as the measurement basis after recognition of the asset.

3.2. Analysis of the Other Assets account with a year-end balance of P1,919,766,136.20 revealed the following recurring inclusions:

a. **Undocumented garnished, dormant and unreconciled accounts totaling P1.205 billion**

Various items under Other Assets totaling P1,204,609,684 remained not supported with sufficient and relevant documents thereby affecting the reliability of the account, to wit:

Particulars	Amount
Garnished Accounts	10,613,512
Dormant Accounts	688,359,479
Unallocated cost of consultancy and other services	6,212,055
Unreconciled Accounts	499,424,638
<b>Total</b>	<b>1,204,609,684</b>

b. **On idle lands valued at P593.706 million which should be properly reclassified to Investment Property account at cost**

Notes to Financial Statements state that lands presented as Other Assets are included in the unserviceable assets which are no longer part of the MWSS operation. These lands are being held other than for use in the ordinary course of business or for administrative purposes. Hence, the same should be properly

recognized as Investment Property using the cost model prescribed under PPSAS 16.

Accordingly, the said lands with appraised value of P593,706,416 is overstated by P450,484,421 or 75.88 per cent representing the revaluation surplus effected in CY 2014 based from the Asset Condition Report submitted by Topconsult in CY 2010.

Management informed in the previous year that the current server cannot accommodate the new revised charts of accounts hence, no reclassification was effected. However, we noted that even manual reclassification was not done in the preparation of the financial statements.

**c. Non-operational - Asbestos Cement Pipes amounting P82.634 million**

Verification disclosed that non-operational - Asbestos Cement Pipes in the subsidiary records amounting to P82,634,000.00 remained in the books although the actual disposal was made in CY 2014 and documentation for dropping was already completed as of April 2018, detailed as follows:

<b>Subsidiary Account</b>	<b>Balance</b>
Non-operational Assets - Feeder Main Asbestos	24,597,000.00
Non-operational Assets - Feeder Main 12" 16" 24"	20,955,000.00
Non-operational Assets - Feeder Main 20" 24" 30"	28,971,000.00
Non-operational Assets - 4" ACP	1,158,000.00
Non-operational Assets - 6" ACP	2,048,000.00
Non-operational Assets - 6" ACP2	622,000.00
Non-operational Assets - 8" ACP	2,651,000.00
Non-operational Assets - 10" ACP	90,000.00
Non-operational Assets - 12" ACP	540,000.00
Non-operational Assets - 16" ACP	251,000.00
Non-operational Assets - 20" ACP	490,000.00
Non-operational Assets - 24" ACP	261,000.00
<b>Total</b>	<b>82,634,000.00</b>

**d. Undisposed various non-operational assets amounting to P38.816 million**

Non-operational assets which remained undisposed for more than 10 years aggregating P38,816,036, viz:

<b>Non-operational Assets</b>	<b>Amount</b>
Pipes	18,951,055
Structures and Improvement	1,304,866
Distribution, Reservoir and Standpipes	146,068
Buildings and Improvement	14,252,070
Wells and Facilities	3,734,777
Sewer Treatment Equipment	427,200
<b>Total</b>	<b>38,816,036</b>

Accounting records revealed that no disposal of these 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 0.46 per cent only.

It was observed that these assets are not included in the inventory report and no longer being monitored by the Asset Management Department. Inquiry with Management also disclosed that the whereabouts and status of these non-operational assets are uncertain.

**3.3. We reiterated our previous years' recommendation that Management:**

- a. Analyze the garnished, dormant and unreconciled assets totaling P1.205 billion and submit the details/schedules and other supporting documents; and**
- b. Reclassify the idle lands valued at P593.706 million under Other Assets to Investment Property account pursuant to PPSAS 16.**

**Also, we recommended that Management:**

- c. Drop from the books the disposed Asbestos Cement Pipes amounting to P82.634 million and submit the supporting documents relative to the disposal of these pipes; and**
- d. Submit schedule and status of the physical existence of these various non-operational assets totaling P38.816 million which remained undisposed for more than 10 years.**

3.4. No Management comment was received.

<b><i>Unreconciled/Unverified Accounts</i></b>
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**4. The accuracy of various assets and liabilities cannot be ascertained due to inclusion of unreconciled/unverified accounts totaling P574.475 million and P884.548 million, respectively.**

4.1. Sections 111(1) and 114(2) of Presidential Decree 1445 states that:

*(1) The accounts of an agency shall be kept in such detail as 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."*

and

*"Xxx. Subsidiary record shall be kept where necessary"*

4.2. As of December 31, 2018, the MWSS has a total assets of P55.802 billion and total liabilities of P11.579 billion, of which an unreconciled/unverified accounts exist amounting to P574.475 million or 1.03 per cent of the total assets and P884.548 million or 7.63 per cent of the total liabilities. Details are as follows:

<b>Account Title</b>	<b>Amount</b>
Loans and Receivable Accounts	21,596,858
Other Receivables	1,108,354
Other Current Assets	96,513,125
Property, Plant and Equipment, net	474,832,332
Other Non-Current Assets	(19,575,783)
<b>Total Assets</b>	<b>574,474,886</b>
Financial Liabilities	533,802,867
Trust Liabilities	171,961,336
Other Payables	156,151,332
Deferred Credits	22,632,720
<b>Total Liabilities</b>	<b>884,548,255</b>

- 4.3. These accounts consisting of 105 subsidiary accounts were the result of temporarily recording to suspense accounts (000-00-99) the general ledgers with no subsidiary ledgers, and the discrepancies between GLs and SLs during the first implementation of the eNGAS.
- 4.4. The long existence of these unreconciled/unverified accounts affects the accuracy of the account balances since these are just lodged/recorded without details and corresponding subsidiary ledgers when the e-NGAS was implemented way back in CY 2007.
- 4.5. **We reiterated our previous year's recommendation and Management agreed to reconcile the unreconciled/unverified accounts to establish the accuracy of the affected account balances and provide the details/schedule and other available supporting documents relating thereto.**

### **Service Concession Assets**

5. **The service concession assets provided by the Concessionaires and all upgrades to the service concession assets provided by the MWSS were not accounted in the books contrary to PPSAS 32, thus, do not reflect the correct balance of the assets, liability and revenue accounts.**
- 5.1. Our audit is guided by the following provisions of PPSAS 32, Service Concession Arrangement: Grantor, which prescribes the accounting for service concession arrangements by the grantor, a public sector entity. Relevant provisions are quoted as follows:
- a. A *service concession asset* is an asset used to provide public services in a service concession arrangement that:
- Is provided by the operator which the operator constructs, develops, or acquires from a third party; or an existing asset of the operator; or
  - Is provided by the grantor which is an existing asset of the grantor; or an upgrade to an existing asset of the grantor.

- b. Paragraph 9 deals on the recognition and measurement of service concession asset, viz:

“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.

- c. Paragraphs 14 and 15 deal on the recognition and measurement of Liabilities, to wit:

“Where the grantor recognizes a service concession in accordance with paragraph 9, the grantor shall also recognize a liability. The grantor shall not recognize a liability when an existing asset of the grantor is reclassified as a service concession asset in accordance with paragraph 12 xxx.

The liability recognized in accordance with paragraph 14 shall be initially measured at the same amount as the service concession asset xxx.”

- d. The *Grant of a Right to the Operator Model* is one of the means to compensate the Concessionaires in exchange for the service concession asset. It provides 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.”  
(all underscoring supplied)

- 5.2. On February 21, 1997, the MWSS entered into a Concession Agreement with Manila Water Company, Inc. (MWCi) and Maynilad Water Services, Inc. (MWSI), the Concessionaires, granting them the right to manage, operate, repair, decommission and refurbish the Facilities in the Service Area including the right to bill and collect for water and sewerage services supplied in the Service Area.
- 5.3. Being the grantor to the concession, the MWSS provided to the Concessionaires its existing assets with net book value of P27.121 billion to be used in the continuous operation of the water distribution to the consumers. These assets are referred as service concession assets under PPSAS 32. Details are:

Account	Net Book Value
Service Concession-Land	6,551,415,918
Service Concession-Buildings and Other Structures	20,384,411,003
Service Concession-Machinery and Equipment	91,718,730
Service Concession-Transportation Equipment	93,295,253
Service Concession-Furniture, Fixtures and Books	11,386
<b>Total</b>	<b>27,120,852,290</b>

- 5.4. Verification of records however showed that the assets provided by the Concessionaires and upgrades to the assets provided by the MWSS to the concession arrangement were not recorded in the books resulting in the understatement of the PPE account for the total cost of unrecorded subsequent changes, net of accumulated depreciation accounted under cost model. Likewise, no corresponding liability and revenue were recognized as prescribed under the *Grant of a Right to the Operator Model*.
- 5.5. It was noted that in the Consolidated Audited Financial Reports as of December 31, 2017 of the MWCI and the MWSI that the Service Concession Assets amounted to P74.151 billion and P78.391 billion, respectively or a total of P152.542 billion. Since the MWSS is the principal Agency which the Concessionaires have an agreement, then, the substantial portion of these assets pertains to the Concessionaires, as the parent company, and a minority share only for their subsidiaries.
- 5.6. **We recommended and Management agreed to:**
- a. **Validate the existence and propriety of the recorded service concession assets provided by the Concessionaires and subsequent costs and validate the existence and propriety of the recorded subsequent cost incurred for the upgrade of all service concession assets, and recognize the same in the MWSS books under the cost model; and**
  - b. **Recognize the corresponding liability and revenue under the Grant of Right to the Operator Model.**

### ***Deferred Credits***

6. **Other Deferred Credits to Income totaling P324.799 million were not valid obligations as these are credits (a) with no actual collections received and (b) already earned or realized, contrary to the definition of liabilities under Paragraph 7 of PPSAS 1.**
- 6.1. Liabilities, 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 resources embodying economic benefits or service potential.
  - 6.2. Deferred Credits is a receipt of money before it has been earned, the unearned amount is initially recorded as Deferred Credit to Income and as the amount is earned, the liability account is reduced and the amount earned will be reported as income.

- 6.3. Analysis of the account disclosed that Other Deferred Credits totaling P324.799 million were not valid obligations, as follows:

**Deferred Credits with no collections received**

- a. A credit to deferred income was recognized for the Concession Fee share of MWSI totaling P274,662,526.33 even without the actual collection from the said concessionaire.

The transaction was recorded by debit to *Accounts Receivable account– Concession Fee–COB* and credit to *Other Deferred Credits account – Deferred Credits to Income* which shows that the concession fee is yet to be collected, hence, recognition of deferred credits is improper.

**Unearned income already earned/realized/Misclassification of account**

- b. Proceeds from sale of scrap materials, G.I. pipes, and unserviceable assets totaling P36,758,894 are as follows:

Particulars	Amount
Sale of scrap materials at San Juan with Metalbank Inc.	5,194,018
Sale of G.I. pipes	440,849
Proceeds from the disposal of unserviceable assets	31,124,027
<b>Total</b>	<b>36,758,894</b>

These amounts remained in the Other Deferred Credits account pending identification of the remaining book values of the disposed assets. It can only be realized as income concurrent with the dropping of its corresponding disposed assets.

- c. Advance collections for the rent of MWSS properties totaling P333,067 were already earned in CY 2018. The details are shown below:

Payor	JEV No.	Period covered	Earned Rent Income
J. Tanciongco	2016-11-4083	Nov 2016-Jan 2017	1,511
M. Toh Hian Giap	2016-12-4472	Jan-Dec 2017	51,198
M. Bustos	2016-12-4513	Jan 8, 2017	1,200
M. Quizon	2016-12-4492	January 2017	6,696
S. Tan/F. de Guzman	2016-12-4504	Jan-June 2017	4,719
M. Desquitado	2016-12-4506	Jan-Feb 2017	1,876
	2017-11-4316	Dec 2017-Jan 2018	1,032
R. Del Rosario	2016-12-4241	Jan-Dec 2017	118,539
	2017-12-4704	Jan-Dec 2018	130,393
T. Yu/J. Yu	2017-10-4011	Oct 2017-Apr 2018	4,945
Christian Family Movement	2017-12-4788	Jan-June 2018	9,758
N. Tumamos	2017-12-4796	Jan 24, 2018	1,200
<b>Total</b>			<b>333,067</b>

- d. Other Deferred Credits to Income – Cost of Lot for Housing with a year-end balance of P13,019,097.58 pertains to the undistributed collections received

from 138 former and present employees, and non-MWSS employees. Since 2007, only P252,000 was refunded to the payors of lot for housing project.

- e. Liquidated damages of P25,705.26 received from the ABB Industry PTE Ltd per JEV-2007-07-010223 remained recorded in the books as Other Deferred Credits.

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

- a. **Ensure that the amount recorded in the Other Deferred Credits account pertains only to cash collections received in advance and have not yet been earned or realized within the year, otherwise, adjust as necessary;**
- b. **Identify the remaining book value of the disposed scrap materials, G.I. pipes and unserviceable assets to reflect the correct balance of the related asset, gain/loss on disposal and Other Deferred Credits;**
- c. **Recognize as income the liquidated damages of P25,705.26 received from ADB Industry PTE Ltd under JEV-2007-07-010223 and the advance collection for rent of P333,067.16 that were already earned or realized in the prior and current year, as deemed appropriate; and**
- d. **Determine who among the 138 payors actually availed of the housing project in order to reduce the undistributed collections totaling P13,019,097.58 under the Deferred Credits account, to adjust to its proper account.**

**Rent Income**

**7. Overstatement of Rent Income/Retained Earnings and related Receivable accounts by P8.059 million due to erroneous recording of rental collections is not compliant to Sections 111 and 114 of PD 1445.**

- 7.1. Audit of the rent income showed errors in the set-up of receivables and actual collections, as follows:

*Office of the Government Corporate Counsel*

- a. The collection of income for December 2018 in the amount of P334,568.75 was taken up as credit to Rent Income under 2018-12-007046 instead of the Due from NGAs which was previously set up under JEV No. 2018-12-007738, thereby overstating the Due from NGAs and Retained Earnings accounts.
- b. The lease rates billed were more than the approved rates resulting in an overstatement of Due from NGAs and Retained Earnings accounts totaling P1.825 million, viz:

JEV No.	Month of Rental	Amount per JEV	Should be	Difference
2018-01-000040	January 2018	699,516	334,569	364,947
2018-02-000730	February 2018	699,516	334,569	364,947
2018-03-004311	March and April 2018	1,399,032	669,137	729,895

2018-04-004318	May 2018	699,516	334,569	364,947
<b>Total</b>		<b>3,497,580</b>	<b>1,672,844</b>	<b>1,824,736</b>

Examination of the abovementioned JEVs disclosed that recorded receivables from the billing statements sent to the OGCC were based on the new rental rate of P699,516 (P381 @ 1,836 sq. m.) effective January 2018 per MWSS Board Resolution No. 2017-144-CO, totaling P3,497,580 however, the MWSS Board, in its Resolution No. 2018-017-CO, approved the request of OGCC to retain its current lease rate of P374,717 (VAT inclusive) per month or a total of P1,672,844 or an overstatement of P1,824,736.

*North Luzon Railways Corporation (NLRC)*

- c. The Rent Income/Retained Earnings accounts were recorded upon collection of the lease payments instead of the previously set-up Due from NGAs, thus, the Retained Earnings and Due from GOCC accounts were overstated by P1.222 million, to wit:

Reference	Particulars	Amount	Remarks
2018-01-00054	Collection of rental of leased properties for the period June 12 to December 31, 2017	1,067,953	Credited to Retained Earnings but with set-up of Due from NGAs per JEV No. 2017-12-004940
2018-12-007031	Collection of rent for December 2018	154,304	Credited to Rent Income but with set-up of Due from NGAs per JEV No. 2018-12-007738
<b>Total</b>		<b>1,222,257</b>	

- d. Likewise, set-up of receivables from June to December 2017 including CPI adjustment from May 12 to December 31, 2017 was taken up twice, hence, overstating the Due from GOCC and Retained Earnings accounts by P1.082 million, to wit:

Reference	Amount	Remarks
2017-07-002587	159,146	Double recording of set-up under JEV No. 2017-12-004940
2017-12-004569	29,835	
2017-12-004567	893,490	
<b>Total</b>	<b>1,082,471</b>	

*Manila Water Services, Inc. (MWSI) and Philippine National Bank (PNB)*

- e. Rent income for December 2018 was taken up twice in the books – upon set-up of receivables and actual collection resulting in an overstatement of Other Receivables and Rent Income accounts by P3.595 million, to wit:

Lessee	Amount	Set-up	Collection
MWSI	3,466,931.45	2018-12-007739	2018-12-007025
PNB	128,250.00	2018-12-007738	2018-11-007618
<b>Total</b>	<b>3,595,181.45</b>		

- 7.2. In summary, the Receivables and Retained Earnings accounts are overstated by P8,059,214.

Lessee	Retained Earnings/ Rent Income	Other Receivables/ Due from NGAs/ Due from GOCCs
OGCC	334,569	334,569
	1,824,736	1,824,736
NLRC	1,222,257	1,222,257
	1,082,471	1,082,471
MWSI	3,466,931	3,466,931
PNB	128,250	128,250
<b>Total</b>	<b>8,059,214</b>	<b>8,059,214</b>

- 7.3. We recommended and Management agreed to make necessary adjustments to the Due from NGAs/GOCC, Other Receivable account and Retained Earnings/Rent Income accounts to arrive at the correct year-end balance of the account.

**Mandatory Deductions**

8. Due to PhilHealth account was understated by P78,879 due to (a) non-set-up of payable for December 2018 of the government share and (b) remittance of government share for March 2018 was inadvertently debited to the account.

The deduction of Pag-IBIG loan amortization of P3,573 for the month of June 2018 was inadvertently posted in the GSIS subsidiary ledger.

- 8.1. Audit of the account disclosed an understatement of the accounts Due to PhilHealth and PhilHealth Contributions both by P78,879 as follows:
- a. No set-up of accrual in the amount of P37,358 representing the government share of PhilHealth contributions for the month of December 2018.
  - b. Remittance of P41,521 pertaining to government share for the month of March 2018 was debited to Due to PhilHealth account instead of PhilHealth Contributions account.
- 8.2. Also, the mandatory contributions of the two employees totaling P420 are not yet remitted to the appropriate collecting agencies, to wit:

Name	Account	SL Account	Reference	Amount
Employee 1	PhilHealth	415-02-01-008068	2018-05-002976	47
Employee 2	GSIS	413-02-01-DMY035	2018-02-000807 2018-02-000809	373

The above contributions should have been remitted to the respective agencies for employees benefit and considering that the same have already been deducted in their salaries.

- 8.3. In like manner, audit of subsidiary ledger showed that the deducted Pag-IBIG loan amortization withheld from the salary of an employee in the amount of P3,573 was posted in the GSIS subsidiary ledger, resulting in understatement of Due to Pag-IBIG and overstatement of Due to GSIS account, both in the amount of P3,573.
- 8.4. Furthermore, the GSIS contribution and Pag-IBIG loan payments of the following employees should be refunded due to the reasons cited:

Employee	Account	Amount	Month Deducted	Description
Employee 1	GSIS	7,105	February 2017	Exclusion from compulsory coverage per RA 8291
Employee 2	Pag-IBIG	100	March 2017	Loan already fully paid
Employee 3	Pag-IBIG	100		
Employee 4	Pag-IBIG	500		

- 8.5. **We recommended and Management agreed to make the necessary adjustments to arrive at the correct balances of Due to PhilHealth, Due to Pag-IBIG, Due to GSIS accounts and other affected accounts.**
9. **The year-end balance of the Due to BIR account totaling P21.364 million showed unreconciled/unremitted balances of P1.240 million, after deducting the taxes withheld in December 2018 and remittance to the BIR in January 2019.**

**Non-provision for Tax Refund Payable amounting P566,260 made at year-end due to delayed tax analysis and adjustments as required under the National Internal Revenue Code (NIRC) resulting in misstatement of the Due to BIR account. Also, the tax refunded to the employees exceeded by P42,625 by the actual creditable tax of P566,260.**

- 9.1. The Due to BIR account should normally pertain to withheld taxes for December 2018 that should be remitted on the following month. However, analysis of the account showed an unremitted net balance of P1,239,919, details are:

Due to BIR Accounts	Book Balance as of December 31, 2018	December 2018 Taxes remitted in January 2019	Unremitted/ Unreconciled Balance as of December 31, 2018
ITW from Compensation	1,025,983	935,691	90,292
VAT Withheld	11,973,600	12,652,475	(678,875)
Professional Tax	231,835	115,925	115,910
Expanded Withholding Tax	5,451,377	5,068,385	382,992
Output VAT	1,957,387	631,151	1,326,236
Final Withholding Tax	49,073	45,709	3,364
<b>Total</b>	<b>20,689,255</b>	<b>19,449,336</b>	<b>1,239,919</b>

- 9.2. Likewise, review of the subsidiary ledgers of the Due to BIR account showed that:

*MWSS – RO*

- a. Collections from MWSS–Regulatory Office (MWSS-RO) totaling P335,881 pertaining to the withheld 5 per cent 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 expanded withholding tax totaling P220,325 was recorded as *Due to BIR–VAT* instead of *Due to BIR-EWT*.

- b. Collections from MWSS–RO for the January 2018 withheld taxes in the amount of P639,656 under JEV-2018-02-001037 was credited to Income tax withheld from compensation. Per verification, the breakdown of the MWSS-RO's remittance should be:

	<b>SL Account</b>	<b>Amount</b>
Tax withheld on Compensation	412-01-01-04	441,733
VAT Withheld	412-01-02-000-719	138,060
EWT Withheld	412-01-05-000-719	59,863
<b>Total</b>		<b>639,656</b>

- c. The recorded entry under JEV-2018-02-001037 overstated the account of MWSS-RO for the taxes withheld on compensation totaling P197,922 and understated the VAT and EWT withheld accounts in the amount of P138,060 and P59,862, respectively.

*MWSI*

- d. Set up of receivable from MWSI for the payment of final billing for the Joint Sewage & Septage Treatment Plant and Facilities-Project 7 recognized as output VAT in the amount of P1,396,491. Verification showed however, that upon collection from MWSI, MWSS issued an Official Receipt (OR) which is not a VAT OR. Although the recognized output VAT in the books was not remitted to BIR, the misclassification resulted to the overstatement of *Due to BIR–Output VAT* account and understatement of Income account.
- 9.3. In addition, no provision for tax refund totaling P566,260 was set-up in the books due to delayed tax analysis. This is contrary to Sections 79 (H) and 252 of the National Internal Revenue Code (NIRC) which 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). xxx (emphasis ours)***

- 9.4. As a result, the taxes due for refund of P566,260 as of December 2018 remained recorded in the account Due to BIR per JEV No. 2019-01-000858, as follows:

Due to BIR	935,691.23
Cash	369,430.93
Due to BIR-CO	566,260.30

- 9.5. Furthermore, review of the subsequent transactions showed that the Agency has already refunded taxes withheld totaling P608,885, which exceeded the credited tax refund by P42,625, details are:

Name	Per set-up of tax refund	Actual Refund of Tax	Difference
<i>With over-refund of taxes</i>			
CO Employee 1	8,618	26,618	18,000
CO Employee 2	8,025	11,483	3,458
CO Employee 3	39,957	47,457	7,500
CO Employee 4	45,613	53,113	7,500
CO Employee 5	39,957	47,457	7,500
CO Employee 6	1,189	4,647	3,458
CO Employee 7	995	3,015	2,020
<i>With under-refund of taxes</i>			
CO Employee 8	8,019	7,689	(330)
CO Employee 9	18,844	13,826	(5,018)
CO Employee 10	15,372	15,161	(211)
CO Employee 11	15,866	15,536	(330)
CO Employee 12	31,201	30,789	(412)
CO Employee 13	7,142	6,812	(330)
CO Employee 14	22,448	22,268	(180)
<b>Total</b>	<b>263,247</b>	<b>305,871</b>	<b>42,625</b>

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

- a. Review and analyze each of the subsidiary ledger of the account Due to BIR and determine the unremitted tax collections and remit the same to the BIR and/or reconcile the balances. Likewise, make necessary adjusting entries to arrive at the correct account balance;
- b. Determine and record the Tax Refund Payable to employees at year-end and effect the necessary adjusting entries; and
- c. Analyze the under/over tax refund and if deemed appropriate, return to the concerned employees the taxes withheld and demand the excess payment to those with overpayment of tax credits.

**B. Financial Audit – Regulatory Office**

***Due from Officers and Employees – Phone***

**10. Receivables from officers and employees totaling P139,419.95 pertaining to mobile phone charges remained uncollected for more than one year.**

- 10.1. Section 61 of Government Accounting and Auditing Manual Volume I as instituted by COA Circular No. 368-91 dated December 19, 1991 sets the responsibility of recording and collecting receivables, to wit:

*“SECTION 61. Administrative responsibility. – The responsibility for assuring that complete information reaches the accounting unit rests with the operating divisions of all agencies. Final collection of accounts receivable is also an operating responsibility. xxx”*

- 10.2. 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 Agency to its officers. 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:*

<b>Official</b>	<b>Amount</b>
Administrator, Senior Deputy Administrator, Board of Trustees, and Deputy Administrators	P5,000.00
Department Managers and specifically designated officials of other government agencies	P2,500.00

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

- 10.3. Any excess on the aforementioned limitations are recorded as receivables from officers and employees under the account Due from OE – Phone Calls. Collections are made monthly through salary deductions.
- 10.4. Horizontal analysis of the account for the past five years shows that the account balance is increasing. A clear indication that there are inefficiencies in the collection of the receivables, to wit:

Year	Ending Balance
2014	105,023.49
2015	113,882.44
2016	143,540.64
2017	144,583.04
2018	162,897.73

- 10.5. The following are receivables to officers still not collected as per our detailed analysis of the account for the past five years:

Name	Aging of uncollected amount				Total
	Current (Less than 1 year)	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	
RO Employee 1	1,199.28	0.00	0.00	0.00	<b>1,199.28</b>
RO Employee 2	2,463.90	0.00	0.00	0.00	<b>2,463.90</b>
RO Employee 3	0.00	0.00	5.01	0.00	<b>5.01</b>
RO Employee 4	1,549.00	0.00	5.00	0.00	<b>1,554.00</b>
RO Employee 5	549.00	0.00	0.00	0.00	<b>549.00</b>
RO Employee 6	4,473.55	0.00	15,277.62	0.00	<b>19,751.17</b>
RO Employee 7	2,407.25	0.00	7,029.98	0.00	<b>9,437.23</b>
RO Employee 8	0.00	407.14	7,998.32	0.00	<b>8,405.46</b>
RO Employee 9	453.03	0.00	0.00	0.00	<b>453.03</b>
RO Employee 10	2,578.62	0.00	1,080.72	0.00	<b>3,659.34</b>
RO Employee 11	0.00	0.00	3,229.00	0.00	<b>3,229.00</b>
RO Employee 12	1,364.00	0.00	1.00	0.00	<b>1,365.00</b>
RO Employee 13	0.00	0.00	8,219.01	0.00	<b>8,219.01</b>
RO Employee 14	3,146.82	0.00	1,417.81	0.00	<b>4,564.63</b>

Name	Aging of uncollected amount				
	Current (Less than 1 year)	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
RO Employee 15	0.00	860.95	(2,066.72)	0.00	(1,205.77)
RO Employee 16	2,810.56	(2,663.92)	4,014.99	0.00	4,161.63
RO Employee 17	0.00	8,521.00	0.00	0.00	8,521.00
RO Employee 18	482.77	0.00	0.00	0.00	482.77
Others	0.00	0.00	0.00	86,083.04	86,083.04
<b>Total</b>	<b>23,477.78</b>	<b>7,125.17</b>	<b>46,211.74</b>	<b>86,083.04</b>	<b>162,897.73</b>

- 10.6. **We recommended that Management enforce the collection of long overdue accounts receivable on excess mobile phone charges, otherwise a corresponding Notice of Disallowance will be issued thereof. Also, identify the officers/employees lodged under “others” or held responsible the officers/employees who approved the transactions.**
- 10.7. Management commented that for the Current (<1 year) amounts, P14,350.16 out of the P23,477.78 or 61.12% has been collected. For the >1<2 years amounts, P5,366.96 out of the P7,125.17 or 75.32% has been collected. As for the >2<5 Years amounts, P1,948.27 out of the P46,211.74 or 4.22% has been collected. MWSS-RO also assured that they are exerting all efforts to collect the remaining balance.
- 10.8. We recognize that a total amount of P21,665.39 has been collected from the aforementioned receivables. However, it is the responsibility of Management to immediately demand payments from the concerned officers and employees.
11. **Excess mobile phone charges totaling P61,073.60 in CY 2017 and P8,562.81 in CY 2018 remained unrecorded as receivables from employees as of December 31, 2018.**
- 11.1. This is a reiteration of our prior year observation.
- 11.2. Audit of telephone expenses – Mobile account for CY 2017 showed non-payment of the excess of the monthly mobile phone charges over the limitations set forth by the above-mentioned agency policy totaling P79,751.12. The Management provided their comments on the observations as per letter dated April 13, 2018, along with a recomputed schedule totaling P61,073.60, which this office accepted. The details of which are shown in Annex A.
- 11.3. The recomputed schedule as stated in the Management comment mentioned “*To be recorded as Due from Employees*”. However, as of December 31, 2018, the amount remained unrecorded.
- 11.4. Furthermore, the same observation was noted for mobile phone expenses in CY 2018 totaling P8,562.81 of unrecorded receivables, as follows:

Name/ Designation	Billing Period	Actual billing per SOA	Limit	Excess of billing over limit	Amount charged to employee	For recording of receivables
RO Employee 4	12/13/17 - 01/12/18	3,583.69	2,500.00	1,083.69	0.00	1,083.69
RO Employee 10	11/29/17 - 12/28/17	4,064.19	2,500.00	1,564.19	0.00	1,564.19
RO Employee 18	11/29/17 - 12/28/17	4,275.17	2,500.00	1,775.17	0.00	1,775.17

Name/ Designation	Billing Period	Actual billing per SOA	Limit	Excess of billing over limit	Amount charged to employee	For recording of receivables
RO Employee 9	12/13/2017- 01/12/18	1,607.61	1,200.00	407.61	107.61	300.00
RO Employee 8	12/13/17 - 01/12/18	1,800.00	1,200.00	600.00	407.14	192.86
RO Employee 14	11/29/17 - 12/28/17	2,113.46	1,200.00	913.46	585.71	327.75
RO Employee 7	11/29/17 - 12/28/17	2,924.14	1,200.00	1,724.14	139.29	1,584.85
RO Employee 6	11/29/17 - 12/28/17	1,734.30	0.00	1,734.30	0.00	1,734.30
<b>Total</b>		<b>22,102.56</b>	<b>12,300.00</b>	<b>9,802.56</b>	<b>1,239.75</b>	<b>8,562.81</b>

11.5. **We reiterated our recommendation that Management:**

- a. **Record and collect P69,635.81 from various officers and employees; 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.**

11.6. Management commented that it will record the figures therefor as receivables upon validation and consultation with the employees involved.

11.7. Considering that the receivables are already established, the same should be recorded and collected from the concerned employees.

### **Cash in Bank**

12. **The former PNB Regular and MVFP accounts remained unreconciled by P1,270,973.75 as of December 31, 2018 contrary to Section 74 of P.D. 1445.**

12.1. 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 standing 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.”*

12.2. 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	Remaining Unreconciled Balance
CASH CIB-LC, C/A- PNB Regular	111-PNB1	1,242,351.30
CASH CIB-LC, C/A- PNB MVFP	111-PNB2	28,622.45
<b>Total</b>		<b>1,270,973.75</b>

12.3. **We reiterate our previous years’ recommendation to comply with Section 74 of P.D. 1445 in so far as the transferred balance.**

12.4. Management commented that as per their inquiry with the Philippine National Bank (PNB), they were advised that the retention period for Bank Statements is only ten

(10) years; thus, transactions earlier than 2009 for both accounts could no longer be retrieved. In addition, the software of the accounting (Peach Tree), was only implemented in 2008, thus, only entries on that year and the succeeding years can be viewed.

Moreover, they have no retained documents that can be accessed or used for purposes of reconciliation. Hence, they would like to ask COA to allow their Accounting staff to access or retrieve relevant documents/files that were submitted in the course of our audit.

- 12.5. As previously mentioned, the Management's accounting staff can inspect the relevant documents/files anytime.

### **C. Compliance Audit – Corporate Office**

#### ***Lease Contracts***

13. **The lease contracts entered by the MWSS and its lessees for the continued use of MWSS' Land and Building were already expired and not renewed prior to the expiration of the lease term, thus, depriving the Agency of the right to demand better terms and condition, for its program implementation.**

**There were no lease contracts and/or lease payments received from the tenants of the MWSS Living Quarters and office space/premises within the MWSS properties which deprives it to generate additional income, to wit:**

- a. Eight MWSS employees and 15 non-MWSS employees residing in MWSS Living Quarters;**
- b. Kaisahan at Kapatiran ng mga Manggagawa at Kawani sa MWSS (KKMK MWSS Union);**
- c. Water and Sewerage Sector Savings and Loan Association, Inc. (WASSLAI);**
- d. Philippine Water Partnership (PWP); and**
- e. Automated Teller Machines of Banco de Oro (BDO), Philippine National Bank (PNB), Bank of the Philippine Islands (BPI) and Metrobank, and Pay&Go Machine.**

**Only a reasonable compensation is received by the MWSS from the Tandang Sora Jeepney Operators and Drivers Association (TASJODA) for the use of land as terminal/parking area of the Association due to the absence of a lease contract.**

**Lease contract provisions on sub-lease and free parking slots are not strictly implemented by the MWSS which gives undue favor to the Local Water Utilities Administration (LWUA), Manila Water Services, Inc. (MWSI) and PNB, thus disadvantageous to the MWSS.**

- 13.1. Section 2 of P.D. No. 1445 states that:

*“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.”*

13.2. The MWSS issued Memorandum Circular No. 02-11 dated July 22, 2012 which provides the guidelines and procedures on leasing the MWSS' Right-of-Way and idle properties with the following objectives:

- a. To generate additional income from MWSS ROW thru lease rental to adjacent lot owners and non-adjacent lot owners including unauthorized settlers/squatters who have already established their residence within the MWSS properties and who manifested their intention to lease;
- b. To provide legal instruments that will make it possible for MWSS to peacefully terminate the stay of its lessees in case the System needs the property for whatever development plans or for maintenance work of the pipes underneath; and
- c. To avert further intrusion of squatters in MWSS ROW since the lease contracts shall contain provision where the lessees shall be held responsible to prevent the entry of unauthorized occupants or third persons into the leased premises.

13.3. Our audit disclosed the following:

***Expired Lease Contracts but with rent collections***

- a. Thirteen (13) lease contracts for the use of MWSS' land and building located at Balara Complex, Quezon City, San Juan City and Arroceros, Manila, were already expired. The MWSS collects the current monthly rate for the continued use of the asset, as follows:

<b>Name of Lessee</b>	<b>Leased Property</b>	<b>Lease Term</b>	<b>Period Expired</b>
a. Manila Water Company, Inc. (MWC)	1. Portion of MWSS Administration Building	October 20, 2006 to October 19, 2011	7 yrs. and 4 mos.
	2. Basement level of the MWSS Administration Building	August 1, 2012 to July 31, 2017	1 yr. and 7 mos.
	3. 32 units of MWSS Living Quarters	October 27, 2006 to October 26, 2011	7 yrs. and 3 mos.
b. Maynilad Water Services, Inc. (MWSI)	4. Parking lot	January 1, 2016 to December 31, 2017	1 yr. and 3 mos.
c. Philippine National Bank (PNB)	5. 1st Floor of the Engineering/ Operation Building	January 1, 2013 to December 31, 2017	1 yr. and 3 mos.

Name of Lessee	Leased Property	Lease Term	Period Expired
d. Office of the Government Corporate Counsel (OGCC)	6. 3rd Floor MWSS Administration Building	January 1, 2011 to December 31, 2015	3 yrs. and 3 mos.
e. North Luzon Railways Corporation (NLRC)	7. 3rd Floor MWSS Engineering Building	May 12, 2015 until December 31, 2017	1 yr. and 3 mos.
f. Globe Telecom, Inc. (GTI)	8. Lot area at MWSS Compound, Katipunan Road, Balara, Q.C.	July 1, 2015 to June 30, 2016	2 yrs. and 9 mos.
	9. Lot area at Pasig Reservoir & Pump Stn., Doña Julia Vargas Avenue, Pasig City	July 1, 2015 to June 30, 2016	2 yrs. and 9 mos.
g. Smart Communication, Inc. (SCI)	10. Roof deck of MWSS Administration Building	July 1, 1999 to June 30, 2009	9 yrs. and 9 mos.
h. Digitel Mobile Philippines, Inc. (DMPI)	11. Portion of the concrete water tank	June 1, 2006 to June 1, 2016	2 yrs. and 10 mos.
i. Supreme Court of the Philippines	12. Building at Arroceros, Manila	May 29, 2012 to May 28, 2017	1 yr. and 10 mos.
j. Water and Sewer Services Cooperative (WSSECO)	13. Lot area at P. Mack St., Balara Filters Cmpd., Brgy. Pansol, Balara, Quezon City	April 26, 2005 to April 25, 2006	12 yrs. and 11 mos.

- b. MWSS Right-of-Way are lands with various aqueducts pass through. These lands are leased to 136 lessees that are not covered by a new lease contract and only a reasonable compensation is being collected by the MWSS or none at all.

ROW	No. of Lessees
Balara – San Juan Aqueducts	91
Bagbag Tandang Sora Aqueduct	7
Bigte – La Mesa Aqueduct	7
Montalban – Balara Aqueduct	17
La Mesa – Balara	12
Marikina – Santolan	1
Payatas, Quezon City	1
<b>Total</b>	<b>136</b>

***Without Lease Contracts and no rental payments***

- c. The MWSS Living Quarters are located within the vicinity of the Balara Filters Park. It is originally intended to house water district employees but is currently being leased out. To date, only 63 living quarters remain which are mostly dilapidated due to vandalism, pilferage, and wear and tear.

Inquiry and ocular inspection of the Living Quarters disclosed that 8 units are occupied by MWSS employees without lease contracts and rental payments.

Further, there are 15 quarters occupied by non-MWSS employees also without lease contracts and rental payments.

- d. *Kaisahan at Kapatiran ng mga Manggagawa at Kawani sa MWSS* (KKMK MWSS Union), Water and Sewerage Sector Savings and Loan Association, Inc. (WASSLAI) and Water and Sewer Services Cooperative (WASSECO) are provided with office space in the basement area of the MWSS Administration building.

Section 62 of RA No. 9520 or the Philippine Cooperative Code of 2008 provides that cooperatives registered under this Code shall be accorded with privileges:

*“(2) Cooperatives organized among government employees, notwithstanding any law or regulation to the contrary, shall enjoy the free use of any available space in their agency, whether owned or rented by the Government”*

Confirmation with the Cooperative Development Authority (CDA), the KKMK and WASSLAI were not considered as cooperatives registered under RA No. 9520, thus, the MWSS should have executed a lease contract and collected rentals from the two associations/organizations.

Also, accounting records showed that the WASSLAI and WASSECO have not been paying its water and electric consumption to the MWSS since CY 2016.

- e. The Philippine Water Partnership (PWP), a non-government organization partner for the promotion of Integrated Water Resources Management, is occupying an office space in 3<sup>rd</sup> floor of the Engineering Building without a lease contract. In the same manner that it has not paid any rent and utilities for the use of the office space as validated in the collection report.
- f. There are no lease contract for the spaces occupied by the Automated Teller Machines (ATMs) of the Banco de Oro (BDO), Philippine National Bank (PNB), Bank of the Philippine Islands (BPI) and Metrobank, and the Pay&Go machine. Records show that there were no rent collections from the said establishments despite the use of Office spaces/premises of the System.

***Without Lease Contracts but with rental payments***

- g. No contract of lease was entered by the MWSS and Tandang Sora Jeepney Operators and Drivers Association (TASJODA) for the use of the land as parking/terminal area of the Association located at Balara, Quezon City. Verification revealed that only a reasonable compensation is being paid to the MWSS.

**Sub-lease of LWUA Building/Training Center**

- h. The contract between the MWSS and LWUA was executed on July 1, 1979 for the lease of 4,097 sq. m. lot area for the purpose of constructing the latter's Office Building. The term of the lease is for a period of 40 years at a current monthly rental rate of P24,899.15. Sections 6 and 7 thereof read as follows:

*"Section 6. The LESSEE hereby expressly agrees and warrants that the leased premises shall be used by it exclusively and entirety for the purpose of constructing thereon its Office Building within a period of ONE (1) YEAR from the signing of this Contract, and using the said building exclusively in the conduct of its business and operations;*

*Section 7. The LESSEE shall not directly or indirectly sublease, assign, transfer, convey, mortgage or in any manner encumber its right of lease over the leased premises or any portion thereof without the previous written consent of the LESSOR, any contract that may be made in violation of this clause shall be null and void."*

Further, another lease contract was executed on December 16, 1999 for the use of 5,947 sq. m. for the purpose of constructing and operating a training center and the rest of the area as a parking space for the LWUA's employees and guests. The term of the lease is for 40 years at a current monthly rental rate of P26,887.36. Sections 6 and 7 thereof provides:

*"Section 6. The LESSEE hereby expressly agrees and warrants that the leased premises shall be used by it exclusively and entirety for the purpose of constructing and operating a training center thereon with the rest of the area to be devoted to parking for the LESSEE's employees and guests;*

*Section 7. The LESSEE shall not directly or indirectly sublease, assign, transfer, convey, mortgage or in any manner encumber its right of lease over the leased premises or any portion thereof without the previous written consent of the LESSOR, any contract that may be made in violation of this clause shall be null and void."*

Verification of the use of the buildings however revealed that the LWUA leased a portion of its building to NAPC and LBP contrary to the provisions of the contract. Details are:

Lessee	Particulars	Lease Term	Current Monthly Rate	Total Collections
National Anti-Poverty Commission (NAPC)	Lease of (a) 2-storey WSTC building, except the area presently occupied by the LWUA Laboratory, with an area of more or less 895.72 sq. m. and (b) 2 <sup>nd</sup> floor of the Old Motorpool building, except the area presently occupied	October 15, 2013 to October 14, 2015 (24 months)	200,000	4,800,000

Lessee	Particulars	Lease Term	Current Monthly Rate	Total Collections
	by the LWUA-AFPARU, with an area of more or less 260 sq. m.			
	More or less 561 sq. m. at the 3 <sup>rd</sup> floor North Wing- except the PAD office	July 1, 2014 to October 14, 2015 (15.5 months)	112,200	1,739,100
	Renewal of contract on the above leased properties	October 15, 2015 to October 14, 2016 (12 months)	312,000	3,744,000
	Implied lease on a month-to-month basis	October 15, 2016 to March 31, 2019 (29.5 months)	312,000	9,204,000
<b>Sub-total</b>				<b>19,487,100</b>
Land Bank of the Philippines (LBP)	Renewal of contract for the lease of Office Space at the Ground floor of the LWUA Main Building	October 1, 2016 to June 30, 2019		
		October 1, 2016 to September 30, 2017 (12 months)	14,400	172,800
		October 1, 2017 to September 30, 2018 (12 months)	15,840	190,080
		October 1, 2018 to March 31, 2019 (6 months)	17,424	104,544
<b>Sub-total</b>				<b>467,424</b>
<b>Grand total</b>				<b>19,954,524</b>

As can be gleaned from the preceding table, the LWUA earned P19.955 million as rent collections from NAPC and LBP for the period October 13, 2013 to March 31, 2019 while per collection report, the MWSS collected only P4.185 million for the period October 1, 2013 to February 28, 2019; thus, very disadvantageous to the MWSS and in violation of Section 7 of the lease agreement.

**Occupied parking slots exceeded the allowed number per Lease Contract**

*Maynilad Water Services, Inc. (MWSI)*

- i. Section 5 of the lease contract for the 7,058.66 sq. m. of the Engineering Building read as follows:

*“5. Use of Parking Slots. In addition to five (5) slots at the covered parking area, the LESSEE shall have the free and exclusive use of one parking slot per 100-square meter area of the Leased Premises. The location of these parking slots shall be at the parking areas (i) fronting the Philippine National Bank; (ii) at the north side of the MWSS Canteen; and (iii) at the back of the tennis court.”*

Thus, the MWSI has 71 free parking slots. However, the parking layout provided by the MWSI showed that it exceeded the free parking slots by 60.

<b>Location</b>	<b>Parking Slots</b>
In front of the PNB	48
At the back of Canteen Side	22
At the back of the tennis court	20
In front of Balara Warehouse	8
Beside Fleet Motorpool	19
In front of Maycoop	14
<b>Total</b>	<b>131</b>

*Philippine National Bank (PNB)*

- j. Section 4 of the contract of lease for 190 sq. m. of the first floor of the Engineering Building states that:

*“4. Use of Parking Slots. The LESSEE shall have a free and exclusive use of two (2) parking slots, free of charge, located at the parking area in front of the Leased Premises.”*

Inspection however disclosed that the PNB is already occupying three (3) parking slots.

- k. Also, the parking area for the use of the MWSS located at the basketball court is being occupied by some employees of the concessionaires.
- l. As regards the Maynilad Water Services, Inc. (MWSI), no document was submitted in order to determine the excess parking areas being occupied by the concessionaire

- 13.4. Management informed that some of the expired contracts were not yet renewed due to rent arrearages of the lessees, however, the Agency collects the current monthly rental of these lessees or a reasonable compensation without enforcing the collection of the past due rentals. This can be interpreted by the lessees that the MWSS is relinquishing its right to collect the arrearages.

- 13.5. The continued use of the MWSS' properties without a new/renewal of lease contract and lack of proper monitoring of the lessees compliance with the lease contracts indicate a weak internal control in protecting the Agency's interest over its leased assets which may result to possible loss of property and income.
- 13.6. Had Management execute a new lease contract for the use of its properties, the rental rates could have been more advantageous to the MWSS and could strictly enforce its terms and conditions.
- 13.7. Consequently, we invite the attention of Management on Section 102 of P.D. No. 1445 viz:

*Section 102. Primary and secondary responsibility.*

*(1) The head of any agency of the government is immediately and primarily responsible for all government funds and property pertaining to his agency.*

*(2) Persons entrusted with the possession or custody of the funds or property under the agency head shall be immediately responsible to him without prejudice to the liability of either party to the government.*

- 13.8. **We recommended that Management:**
  - a. **Evaluate whether to renew the expired lease contracts with the lessees in consideration of the following:**
    - i. **All the terms and conditions of the expired contract have been complied with;**
    - ii. **The validity of the claim and right to collect the payment of rent;**
    - iii. **Reasonable/better rental rates between both parties; and**
    - iv. **Collection of the arrears;**
  - b. **Execute a contract of lease with the MWSS employees occupying the Living Quarters, KKMK MWSS Union, Philippine Water Partnership, concerned branches of BPI, BDO, Metrobank and PNB, owner of the Pay&Go Machine, and TASJODA;**
  - c. **Demand collections from the WASSLAI and WASSECO the cost of utilities incurred from the previous and current years and settlement should be made prior to the execution of a lease contact with the WASSLAI;**
  - d. **Require the LWUA to explain violation of Section 7 of the Lease Contract, and immediately demand the Agency's share from the lease payments of the NAPC and LBP;**
  - e. **Enforce collection of rent for the excess parking space occupied by the concessionaires; and**

- f. Henceforth, make an annual review of all the lease contracts for any amendments and evaluate contracts that will expire before six months, to exercise Management prerogatives that are beneficial to the Agency.

13.9. Management commented the status of actions taken, to wit:

Name of Lessee/ Tenants	Leased Property	Status
1. MWCI	a. Portion of MWSS Administration Building	For OGCC Review
	b. Basement level of the MWSS Administration Building	For OGCC Review
	c. 32 units of MWSS Living Quarters	To be determined
2. MWSI	d. Parking lot	To be determined
3. PNB	e. 1st Floor of the Engineering/ Operation Building	For OGCC Review
4. OGCC	f. 3rd Floor MWSS Administration Building	MOA Revisions on-going
5. NLRC	g. 3rd Floor MWSS Engineering Building	Contract Renewed
6. GTI	h. Lot area at MWSS Compound, Katipunan Road, Balara, Quezon City	For Legal Services Department Review
	i. Lot area at Pasig Reservoir & Pump Stn., Doña Julia Vargas Avenue, Pasig City	For Legal Services Department Review
7. SCI	j. Roof deck of MWSS Administration Building	For Legal Services Department Review
8. DMPI	k. Portion of the concrete water tank	For Legal Services Department Review
9. Supreme Court of the Philippines	l. Building at Arroceros, Manila	For OGCC Review
10. WASSECO	m. Lot area at P. Mack St., Balara Filters Cmpd., Brgy. Pansol, Balara, Quezon City	Ongoing
11. KKMK MWSS Union	n. Office Space at Basement	Ongoing
12. WASSLAI	o. Office Space at Basement	Ongoing
13. WASSECO	p. Office Space at Basement	Ongoing
14. ATMs of BDO, BPI, PNB, Metrobank and Pay&Go	q. Within MWSS premises	Ongoing
15. LWUA	r. Land	Negotiations Ongoing
16. MWSI	s. Parking Space	MOA for additional parking slots was already executed between MWSS and MWSI for 50 slots
17. Various Tenants	t. MWSS ROW and Living Quarters	For next action
18. PWP	u. Office Space at 3 <sup>rd</sup> floor	For next action
19. TASJODA	v. Land	For next action

## ADDSP Trust Fund and Mandatory Reports

14. The remaining balance of the fund received for the implementation of the Angat Dam and Dyke Strengthening Project (ADDSP) amounting to P23.750 million was used as payment of the guarantee fees payable due to non-segregation of the trust fund with the corporate funds, contrary to Section 4(3) of Presidential Decree No. 1445.

The MWSS has not complied with the requirement of the MOA to provide copies to the Department of Budget and Management (DBM) and the Department of Public Works and Highways (DPWH) of the Liquidation and Accomplishment Reports on the ADDSP due to the failure of the Agency to demand the said reports from the National Power Corporation (NPC) and Provincial Government of Bulacan (PGB), the implementing agencies of the project.

- 14.1. Section 4(3) of Presidential Decree No. 1445 provides 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.”* (emphasis ours)
- 14.2. The ADDSP is one of the MWSS’ projects to rehabilitate Angat dam and dyke to ensure its stability under seismic landings and for additional spillway to bridge the capacity shortfall at probable maximum flood. The MWSS received the amount of P553.30 million from the Bureau of the Treasury on April 29, 2015 to finance Contract Packages 2 and 4 of the ADDSP, to wit:

Contract Package	Implementing Agency	Description	Estimated Cost (in million)
2	National Power Corporation (NPC)	Instrumentation (Flood Forecasting and Warning System on Dam Operation)	260.91
4	Provincial Government of Bulacan (PGB)	Flood Control Protection Works (downstream of Angat)	292.39
	<b>Total</b>		<b>553.30</b>

- 14.3. Upon the directives of the Department of Budget and Management (DBM), the MWSS executed a Memorandum of Agreement (MOA) with the PGB on March 22, 2016 and NPC on May 3, 2016 for the transfer of fund.
- 14.4. Accordingly, the MWSS transferred P292.39 million to the PGB and P237.16 million to the NPC. The remaining balance of P23.750 million should be held-in trust by the MWSS pursuant to the MOA.
- 14.5. Verification of the LBP High Yield Savings Account (LBP-HYSA) Number 1461-1184-50 with a balance of P56,419,555 includes the P23.750 million which should have been maintained under separate bank account, however, records disclosed that the LBP-HYSA was terminated and used as additional fund for the settlement of the outstanding balance of the Guarantee Fees payable for Bridge Financing Loan (Deutsche Bank, First Metro, Keppel and RCBC).

- 14.6. Had the funds been placed in a separate account, as previously recommended, the unauthorized use of which could have been prevented and utilized for the purpose for which it was received.
- 14.7. In addition, the MOA laid the responsibilities of the MWSS which include, among others, that:
- “The MWSS shall:  
xxx*
- *Monitor the implementation of the Package 2/Package 4 of ADDSP through its Engineering Department.*
  - *Provide and submit to DBM copies of the project monitoring, financial accomplishment and liquidation reports that the NPC/PGB submits to MWSS pursuant to this MOA.*
  - *Submit to DPWH and DBM the Monthly Physical and Financial Accomplishment Report submitted by NPC/PGB. xxx”*
- 14.8. Inquiry with the Engineering Department personnel disclosed that the NPC and PGB have yet to submit the liquidation report on the fund transfers and monthly physical and financial accomplishment report. Hence, to date, no reports were transmitted by the MWSS to the DPWH and DBM.
- 14.9. Considering that three years have passed and the MWSS is tasked to monitor the project implementation and required to submit reports to the DPWH and DBM, it should have required the implementing agencies to submit the liquidation and accomplishment reports as agreed upon and on time.
- 14.10. **We recommended that Management:**
- a. **Return the P23.75 million used for other purpose and maintain a separate account for trust funds received from the BTr and submit Journal Voucher (JV) for the fund transfer; and**
  - b. **Demand from the NPC and PGB the liquidation reports of the fund transferred and physical and financial accomplishment on the ADDSP, and provide copies to the DBM and DPWH pursuant to the MOA.**
- 14.11. Management commented that the P23.750 million fund is now placed in LBP HYSAs No. 1461-1199-36, where all trust funds will be maintained.
- 14.12. We require Management to submit JV and its supporting documents as proof of the deposit.

<b><i>Due from Officers and Employees and Loan Receivables - Others</i></b>
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**15. Multi-Purpose Loan Program with an outstanding balance of P28.870 million lacked legal basis and contrary to Section 4(2) of P.D. No. 1445.**

- 15.1. Section 4(2) of P.D. No. 1445 states that:

*“Government funds or property shall be spent or used solely for public purposes. “*

15.2. The accounts Due from Officers and Employees and Loans Receivable-Others showed various loans granted to MWSS officers and employees and non-MWSS employees totaling P28,870,885, details as follows:

a. Loans granted to Active MWSS Employees and Officers of P14,323,806

Name	Outstanding Loan Balance			
	Housing	Car	Housing Project	Total
CO Employee 1			74,216	74,216
CO Employee 2			88,553	88,553
CO Employee 3			468,211	468,211
CO Employee 4		587,728		587,728
CO Employee 5			479,211	479,211
CO Employee 6			76,353	76,353
CO Employee 7			439,711	439,711
CO Employee 8			478,983	478,983
CO Employee 9	208,523		348,643	557,166
CO Employee 10			162,479	162,479
CO Employee 11			300,923	300,923
CO Employee 12			433,853	433,853
CO Employee 13	488,388			488,388
CO Employee 14			479,211	479,211
CO Employee 15		559,508	449,855	1,009,363
CO Employee 16		461,149	85,753	546,902
CO Employee 17			23,167	23,167
CO Employee 18			467,711	467,711
CO Employee 19			49,973	49,973
CO Employee 20	682,298		155,415	837,713
CO Employee 21			2,332	2,332
CO Employee 22			343,768	343,768
CO Employee 23		443,550	155,393	598,943
CO Employee 24		4,942	149,607	154,549
CO Employee 25			484,456	484,456
CO Employee 26		414,635	149,607	564,241
CO Employee 27		214,038		214,038
CO Employee 28		271,048		271,048
CO Employee 29			94,501	94,501
CO Employee 30			71,753	71,753
CO Employee 31			145,793	145,793
CO Employee 32			67,378	67,378
CO Employee 33			46,300	46,300
CO Employee 34			467,711	467,711
CO Employee 35			490,211	490,211
CO Employee 36			422,447	422,447
CO Employee 37	244,786			244,786
CO Employee 38			88,553	88,553
CO Employee 39			65,631	65,631
CO Employee 40			88,553	88,553
CO Employee 41		600	111,067	111,667
CO Employee 42	2,239		88,049	90,288
CO Employee 43			5,328	5,328
CO Employee 44			69,356	69,356
CO Employee 45			413,712	413,712
CO Employee 46			46,252	46,252
CO Employee 47	3,611	512,778	94,006	610,395
<b>Total</b>	<b>1,629,845</b>	<b>3,469,976</b>	<b>9,223,985</b>	<b>14,323,806</b>

\*Data based on eNGAS

b. Loans granted to retired/separated MWSS Employees and Officers of P8,225,879

Name	Outstanding Loan Balance				
	Housing	Car	Housing-La Mesa	HMO	Total
CO Employee 1			77,502		77,502
CO Employee 2			12,590		12,590
CO Employee 3				3,703	3,703
CO Employee 4				5,454	5,454
CO Employee 5		143,821			143,821
CO Employee 6		771,634			771,634
CO Employee 7				58,038	58,038
CO Employee 8				1,100	1,100
CO Employee 9				143	143
CO Employee 10	522,912		164,295		687,207
CO Employee 11			377,625		377,625
CO Employee 12	31,188				31,188
CO Employee 13	2,823		471,824		474,647
CO Employee 14				2,912	2,912
CO Employee 15				960	960
CO Employee 16		479,884			479,884
CO Employee 17			77,639		77,639
CO Employee 18		763,335		16,511	779,846
CO Employee 19				4,958	4,958
CO Employee 20				11,608	11,608
CO Employee 21				5,000	5,000
CO Employee 22		158,148	197,407		355,555
CO Employee 23			81,343		81,343
CO Employee 24		5,638		7,738	13,376
CO Employee 25		55,682			55,682
CO Employee 26				2,912	2,912
CO Employee 27				68,583	68,583
CO Employee 28		515,093	478,152		993,245
CO Employee 29				23,710	23,710
CO Employee 30		1,287		14	1,301
CO Employee 31		352,554			352,554
CO Employee 32			46,663		46,663
CO Employee 33	13,502	540,558	196,171		750,231
CO Employee 34			213,333		213,333
CO Employee 35	14,348				14,348
CO Employee 36				48,038	48,038
CO Employee 37		4,616		29,739	34,355
CO Employee 38			59,954		59,954
CO Employee 39				8,913	8,913
CO Employee 40				960	960
CO Employee 41			77,533		77,533
CO Employee 42				7,933	7,933
CO Employee 43		487,545	134,564		622,109
CO Employee 44			224,752		224,752
CO Employee 45	3,086				3,086
CO Employee 46			66,871	25,725	92,596
CO Employee 47			64,105		64,105
CO Employee 48	1,250				1,250
<b>Total</b>	<b>589,109</b>	<b>4,279,795</b>	<b>3,022,323</b>	<b>334,652</b>	<b>8,225,879</b>

c. Loans granted to Non-MWSS employees of P6,321,200

Name	Outstanding Loan Balance				Total
	Housing	Car	Housing-La Mesa	HMO-Medicard	
CO Employee 1			19,574	42,485	62,059
CO Employee 2				14,467	14,467
CO Employee 3			269,981		269,981
CO Employee 4			18,497		18,497
CO Employee 5			24,955		24,955
CO Employee 6			271,323		271,323
CO Employee 7	96,192				96,192
CO Employee 8		276,475			276,475
CO Employee 9			269,981		269,981
CO Employee 10				19,467	19,467
CO Employee 11		92,104			92,104
CO Employee 12			13,457		13,457
CO Employee 13			18,497		18,497
CO Employee 14			289,618		289,618
CO Employee 15		357,436			357,436
CO Employee 16			596,090		596,090
CO Employee 17		203,327	269,981		473,308
CO Employee 18	607,859			18,135	625,994
CO Employee 19			190,233		190,233
CO Employee 20		186,632			186,632
CO Employee 21			215,466		215,466
CO Employee 22	30,182		269,433		299,615
CO Employee 23			24,955		24,955
CO Employee 24			18,497		18,497
CO Employee 25			24,955		24,955
CO Employee 26			303,594		303,594
CO Employee 27			185,115		185,115
CO Employee 28		155,393			155,393
CO Employee 29			15,929		15,929
CO Employee 30			18,497		18,497
CO Employee 31			269,981		269,981
CO Employee 32			20,919		20,919
CO Employee 33			24,955		24,955
CO Employee 34			18,497		18,497
CO Employee 35		75			75
CO Employee 36				22,800	22,800
CO Employee 37		24,280			24,280
CO Employee 38			13,457		13,457
CO Employee 39			63,356		63,356
CO Employee 40			26,032	7,528	33,560
CO Employee 41			18,497		18,497
CO Employee 42				55,813	55,813
CO Employee 43			215,466		215,466
CO Employee 44		7,038			7,038
CO Employee 45				34,241	34,241
CO Employee 46			26,031		26,031
CO Employee 47			24,955		24,955
CO Employee 48			18,497		18,497
<b>Total</b>	<b>734,233</b>	<b>1,302,760</b>	<b>4,069,271</b>	<b>214,936</b>	<b>6,321,200</b>

\*Data based on eNGAS and submitted Report on Status of Other Receivables

- 15.3. As previously observed, the imposition of moratorium on the payment of housing, car and housing project loans, through the implementation of MWSS Board Resolution No. 2012-127-H, resulted to a monthly collection of amortization for as low as P100. As a consequence, the recoverable period to collect the loans ranged from 7 to 408 years which is not beneficial to the Agency. Likewise, inquiry with Management disclosed that no actions were taken to collect the long outstanding loans of the retired/separated MWSS employees and non-MWSS employees.
- 15.4. Moreover, the Multi-Purpose Loan Program (MPLP) by itself and the grant of loans to MWSS officials and employees and non-MWSS employees lacked legal basis and is not intended for public purpose, contrary to Section 4(2) of P.D. No. 1445.
- 15.5. The funds used to grant loans should have been used by the Agency in pursuance of its mandate and objectives, and/or invested in high-yield placements.
- 15.6. On the negative loan balances, analysis of the individual subsidiary ledgers disclosed that the account of four (4) employees reported a negative housing/car loan balances with continuous deduction of amortization to their salaries as of December 31, 2018, details as follows:

Name of Employee	Housing and Car Loan Balance	Loan Amortization in December 2018
CO Employee 1	(16,900)	3,053
CO Employee 2	(63,895)	3,053
CO Employee 3	(173,757)	500
Co Employee 4	(64,063)	3,053
<b>Total</b>	<b>(318,615)</b>	

- 15.7. **We recommended that Management:**
- a. **Devise a mechanism for concerned officers and employees to settle immediately their long outstanding loan balances, otherwise, a Notice of Disallowance will be issued;**
  - b. **Identify the officers who allow the retirement of employees with outstanding loan and be held accountable thereof; and**
  - c. **Analyze the negative loan balances and make the necessary adjustment and/or return the over payment to the respective MWSS employees, if warranted.**
- 15.8. Management commented that it will immediately recommend to the Board the lifting of the Moratorium. Resumption of repayment of loans through salary deduction shall be imposed once moratorium is lifted.

Regarding retirement of employees with outstanding loan, Finance Department are now reconciling such balances as these could have resulted due to inadvertent posting to proper accounts.

Accounts with negative loan balances are presently being reviewed and reconciled.

- 15.9. As a rejoinder, the MPLP has no legal basis, more so the legality of the moratorium approved by the Board is questionable and must be disallowed. Hence, payment of the MPLP loans should be implemented as provided under the Loan Agreements, or a mechanism to hasten payment within paying capacity and paying period.

**Notice of Disallowance with Notice of Finality of Decisions**

16. **Notices of Disallowances with issued Notices of Finality of Decision aggregating P82.506 million were 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).**

- 16.1. Section 22, Notice of Finality of Decision (NFD), of COA Circular No. 2009-006 dated September 15, 2009 provides that,

*22.1 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.*

*22.2 The NFD xxx shall be issued by the authorized COA official to the agency head to notify that a decision of the Auditor, Director, ASB or CP has become final and executory, there being no appeal or motion for reconsideration filed within the reglementary period.*

*22.6. The Chief Accountant shall, on the basis of the NFD, record in the books of accounts, the disallowance and/or charge as a receivable. (underscoring supplied)*

- 16.2. Examination of the subsidiary ledger of the account Receivable-Disallowances/Charges disclosed that the Notices of Finality of Decision pertaining to 27 Notices of Disallowance aggregating P82,506,510.50, were not recorded in the books of accounts as of year-end, as follows:

Notice of Disallowance			NFD	
	No./Date	Nature	Date Issued	Amount
1	2014-03-0002/ March 10, 2014	Cash Advance for Project Ondoy in 2009 charged against MWSS' Confidential and Intelligence Fund	2018-230 dated May 4, 2018	366,143.84
2	10-001-05-(09)/ July 16, 2010	Year-end Financial Assistance	August 29, 2017	6,565,910.90
3	10-002-05-(09)/ July 16, 2010	Anniversary Bonus	-do-	5,417,999.39
4	10-003-05-(09)/ July 16, 2010	Anniversary Bonus	-do-	5,688,443.56
5	10-004-05-(09)/ July 16, 2010	Monetization of Leave credits	-do-	1,178,209.03
6	10-005-05-(09)/ July 16, 2010	Traditional Anniversary Bonus	-do-	686,000.00

Notice of Disallowance			NFD	
	No./Date	Nature	Date Issued	Amount
7	10-006-05-(09)/ July 16, 2010	Mid-Year Financial Assistance	-do-	5,818,138.91
8	10-007-05-(09)/ July 16, 2010	RATA for January 2009	-do-	104,000.00
9	10-008-05-(09)/ July 16, 2010	RATA for February 2009	-do-	104,000.00
10	10-009-05-(09)/ July 16, 2010	RATA for March 2009	-do-	104,000.00
11	10-010-05-(09)/ July 16, 2010	Family Day Allowance (Regular)	-do-	1,800,000.00
12	10-011-05-(09)/ July 16, 2010	Rate Rebasing Bonus (Regular)	-do-	5,764,746.31
13	10-012-05-(09)/ July 16, 2010	Family Week Allowance (Regular)	-do-	6,454,899.70
14	10-013-05-(09)/ July 16, 2010	Performance Enhancement Incentive	-do-	6,524,033.20
15	09-014-05-(09)/ July 16, 2010	GOCC Incentive For CY 2008	-do-	5,471,382.77
16	10-015-05-(09)/ July 16, 2010	Scholarship Allowance (1st Tranche)	-do-	3,985,333.71
17	09-016-05-(09)/ July 16, 2010	Scholarship Allowance (2nd Tranche)	-do-	6,603,893.90
18	10-029-05-(09)/ July 16, 2010	Corporate Christmas Package for CY 2009	-do-	10,730,286.97
19	2000-017-07-(99)/ August 15, 2000	RATA, Longevity, Rice, Meal, Children's and Medical Allowance	January 26, 2016	376,140.00*  <i>*Revised amount per COE No. 2019-024</i>
20	2001-025-05-(00)/ March 19, 2001	Mid-year FA 2000	March 24, 2011	2,128,780.40
21	2001-006-05-(00)/ February 28, 2001	Mid-year FA 2000	-do-	601,919.70
22	2001-024-05-(00)/ March 9, 2001	Year-end FA 2000	-do-	1,929,610.60
23	2001-022-05-(00)/ March 6, 2001	Year-end FA 2000	-do-	735,243.34
24	2001-021-05-(00)/ March 6, 2001	Bigay-Pala Anniversary Bonus	-do-	742,573.90
25	2001-023-05-(00)/ March 8, 2001	PIB	-do-	2,157,932.65
26	2001-019-05-(00)/ March 6, 2001	Medical Allowance	-do-	287,500.00
27	2001-018-05-(00)/ March 5, 2001	RATA	-do-	179,387.72
<b>Total</b>				<b>82,506,510.50</b>

- 16.3. Therefore, the corresponding receivable in the books arising from the aforementioned disallowances should be recognized.
- 16.4. **We recommended and Management agreed to require the Finance Department to recognize the disallowances that have become final and executory as Receivables-Disallowances totaling P82,506,510.50.**

**Legal Services Fee of OGCC Lawyers**

17. **Payments of monthly reimbursable allowance totaling P1.704 million to the Office of the Government Corporate Counsel (OGCC) lawyers were not in accordance with Section 4 of PD No. 1445 and Section 6 of EO No. 878.**

17.1. Our audit is guided by the following:

a. Section 4 of PD No. 1445 laid down the fundamental principles governing the financial transactions and operations of an agency which includes, among others, that: “Claims against government funds shall be supported with complete documentation.”

b. Section 6 of EO No. 878 provides that:

“When the exigency of the service so requires, any member of the legal staff of the OGCC may be assigned or designated in a concurrent capacity to act as corporate officer of the government-owned and controlled corporations being serviced by the OGCC, provided that the OGCC approves the assignment or designation. Whenever any member of the legal staff of the OGCC is assigned/designated to perform additional or special task in any of the client corporations, he is allowed to receive such additional compensation and privileges as may be granted them by the government corporations concerned.”

17.2. A Memorandum of Agreement was executed by and between the OGCC and MWSS on December 14, 2018. The terms of the Agreement retroacts from January 1, 2018. Section 2 thereof provides that:

“SECTION 2. For services rendered, the MWSS shall extend monthly reimbursable allowances to the OGCC Team, in the total amount of PhP150,000.00 to be payable to the OGCC for the benefit of the assigned OGCC lawyers and subject to government accounting and auditing rules and regulations.”

17.3. Audit of the account Legal Services disclosed that the MWSS paid P1.704 million to the OGCC representing the reimbursable expenses of its lawyers for the period January to December 2018 were not supported with official receipts and other documents evidencing the nature of expenses, which is not in accordance with Section 6 of PD No. 1445, to wit:

OGCC Lawyers	Monthly Reimbursement/ Allowance	Total
AGCC 1	16,000 x 12	192,000
AGCC 2	8,000 x 12	96,000
AGCC 3	8,000 x 12	96,000
AGCC 4	10,000 x 8	80,000
GCA 1	10,000 x 12	120,000
GCA 2	10,000 x 12	120,000
GCA 3	10,000 x 12	120,000

OGCC Lawyers	Monthly Reimbursement/ Allowance	Total
GCA 4	10,000 x 12	120,000
GCA 5	10,000 x 12	120,000
GCA 6	10,000 x 12	120,000
GCA 7	10,000 x 12	120,000
GCA 8	10,000 x 12	120,000
GCA 9	10,000 x 12	120,000
GCA 10	10,000 x 12	120,000
GCA 11	10,000 x 4	40,000
<b>Total</b>		<b>1,704,000</b>

- 17.4. Granting that the P1.704 million is an additional compensation/allowance to the OGCC legal team, the functions enumerated under OGCC Office Order No. 358 s. 2018 dated December 13, 2018 are general and prospective in authority to handle future investigations/assignments and **not for specific and particular cases**, viz:
- a. Be detailed or assigned to MWSS upon the latter's request;
  - b. Mediate and act as hearing officers under relevant laws in accordance with Rule 11 of 2011 OGCC Rules and Regulations;
  - c. Investigate and, in appropriate cases, hear administrative disciplinary cases involving all lawyers, officials and employees of MWSS upon its request and recommend appropriate administrative or disciplinary sanctions in accordance with Rule 7 of 2011 OGCC Rules and Regulations;
  - d. Conduct research and/or submit position papers on novel/important questions or issues affecting MWSS;
  - e. Act as corporate officers of MWSS upon their request;
  - f. Be assigned as members of technical working groups, bids and awards committee, tasks force and other committees in relation to MWSS projects;
  - g. Represent the OGCC in the Board of MWSS and management committees; and
  - h. Other special tasks that may be agreed upon by the parties.
- 17.5. Entitlement to an additional compensation is subject to three conditions under Section 6 of EO No. 878, to wit:
- a. That the exigency of the service so requires;
  - b. That the GCC approves the assignment or designation; and
  - c. That the OGCC lawyer is assigned/designated to perform additional or special task in any of the client corporation.
- 17.6. Without the specific and particular cases to handle, the OGCC legal team only performs regular duties and responsibilities in handling cases, rendering of opinion and contract review for the MWSS. Hence, the 3<sup>rd</sup> condition of Section 6 was not met.
- 17.7. Further, we noted that the OGCC Office Order No. 358 s. 2018 re: Reconstitution of members of the OGCC Legal Team assigned to the MWSS is effective only on

December 13, 2018. Thus, the reimbursement of expenses or allowance of the 14 lawyers for the period January 1 to December 12, 2018 is without authority.

17.8. **We recommended that Management:**

- a. **Require the OGCC to refund the amount of P1.704 million representing the reimbursable expenses/allowance paid and submit to this Office the Official Receipt thereof. Otherwise, a Notice of Disallowance will be issued accordingly; and**
- b. **Stop the unauthorized payment of additional compensation to the OGCC lawyers, unless the three conditions under Section 6 of EO No. 878 are met.**

17.9. No Management comment was received

**Contract of Service Workers**

18. **The hiring of Contract of Service (COS) employees whose function is a duplication of the job description of the agency's existing regular employees is contrary to CSC-COA-DBM Joint Circular No. 1, s. 2017 dated June 15, 2017.**

**Moreover, grant of compensatory time-off (CTO) to the COS is also contrary to CSC-COA-DBM Joint Circular No. 1 s. 2015.**

18.1. Section 11.4 of CSC-COA-DBM Joint Circular No. 1, s. 2018 dated November 9, 2018 states that:

*"Government agencies shall review their functions, systems and procedures, organizational structure and staffing to determine the appropriate human resource complement for their programs/activities/projects."*

18.2. Section 7.2 of CSC-COA-DBM Joint Circular No. 1, s. 2017 dated June 15, 2017 states that:

***"Contract of service and job order workers should not, in any case, be made to perform functions which are part of the job description of the agency's existing regular employees."*** (emphasis supplied)

18.3. Audit disclosed that there are 29 existing COS workers employed by the MWSS for CY 2018 or 141 per cent more compared to the 12 COS hired in CY 2017. Review of the individual Contracts revealed that some of the COS employees are performing functions which are part of the job description of the agency's existing regular employees. The details of which are shown in Annex B.

18.4. Further, there are instances where the COS employees performed works which are not included among the scope of work, duties and responsibilities enumerated in their respective contracts and that the work performed are part of the job description of agency's existing regular employees, as shown in Annex C.

- 18.5. The 29 existing COS employees may be considered for the 36 vacant or unfilled positions as per approved Plantilla of Personnel for CY 2018, pursuant to Section 11.3 of CSC-COA-DBM Joint Circular No. 1, s.2018 which read as:

*“The existing qualified COS and JO workers shall be considered for appointment by the government agencies to their vacant positions subject to existing Civil Service Law and rules and agency CSC-approved Merit Selection Plan.”*

- 18.6. In addition, COS employees were allowed to avail Compensatory Time-Off (CTO) or offset as shown in their respective Daily Time Records (DTR) contrary to Section 6 of the CSC-DBM Joint Circular No. 1 s.2015 dated November 25, 2015 which provides that:

*“Only appointive and salaried civilian government employees holding regular, contractual, and casual positions of division chief or equivalent level and below may be authorized to render overtime services with pay or compensation.”*

- 18.7. **We recommended and Management agreed to:**

- a. **Evaluate the need for the services of the COS and consider those qualified to fill up the vacant regular position subject to existing Civil Service Laws/regulations and agency CSC-approved Merit Selection Plan; and**
- b. **Stop the practice of granting CTO to COS employees pursuant to CSC-DBM Joint Circular No. 1 s. 2015.**

### ***Gender and Development***

19. **Deficiencies were noted in the audit of funds, programs and activities on gender and development (GAD), to wit:**

- a. **The allocated GAD budget of P1.650 million is only 0.0004 per cent of the DBM-approved Corporate Operating Budget of P4.496 billion way below the required five per cent of the total appropriations;**
- b. **The Projects/Activities/Programs (PAPs) in the GAD Plan and Budget were partially implemented thus, resulting in the underutilization of the GAD funds; and**
- c. **Absence of MWSS' GAD Database/Sex-disaggregated data.**

- 19.1. For CY 2018, the MWSS allotted P1,650,000 GAD fund which was only 0.0004 per cent of the P4,495,607,000 approved Corporate Operating Budget (COB) of the MWSS, hence, fell short of the 5 per cent requirement under Section 6.1 of the PCW-NEDA-DBM Joint Circular No. 2012-01 which provides that: **“At least five per cent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs.** (emphasis supplied)

- 19.2. It is also noted that the MWSS included in its approved COB a budgetary line item for Gender and Development Expenses of P8.958 million which was reduced to P1.650 million. This is contrary to Section 3.3 of the same joint circular which states that: *“The GAD budget, which is the cost of implementing the GAD plan, shall form part of, and is **not in addition to the agencies’ approved budget.**”* (emphasis ours)
- 19.3. Further, out of the four PAPs in the GPB, two were implemented, one was partially implemented and one was not implemented. A total of P324,020 or only 23 per cent of the approved budget of P1.400 million (excluding P250,000 budgeted for GAD bulletin board) was spent for the implementation of the PAPs, as follows:

GAD PAPs	Actual Result	Approved Budget	Actual Cost	Unexpended Balance	Remarks
Conduct of Gender Sensitivity Trainings (Modules on Gender Development, Gender Sensitivity and Gender Awareness)	Basic GAD Awareness orientation was conducted in two batches through in-house training.	600,000.00	143,020.00	456,980.00	Partially Implemented
GAD Orientation among executives	None	500,000.00	0.00	500,000.00	Not Implemented since most of the ERIP Availtees belong to the Executive Level.
Installation of bulletin board creating a GAD corner	GAD Bulletin Board was prepared using scrap materials, hence, at no cost.	250,000.00	0.00	250,000.00	Implemented <b>with no cost incurred</b>
GAD Planning Workshop	Gender Mainstreaming Evaluation of Framework was conducted.	300,000.00	181,000.33	118,999.67	Implemented but the unexpended balance is due to the implementation of ERIP
<b>Total</b>		<b>1,650,000.00</b>	<b>324,020.33</b>	<b>1,325,979.67</b>	

- 19.4. In addition to its typical GAD-focused PAPs, Management may increase the gender responsiveness of government programs and budgets by attributing agency major programs to the GAD budget as guided by Section 6.4 of the joint circular.
- 19.5. Moreover, Management also failed to provide a copy of the updated GAD Database/Sex-disaggregated data of the MWSS, however, only a list of employees categorized as female and male was submitted.
- 19.6. Institutionalizing GAD Database/Sex-disaggregated data is one of the essential elements in GAD Planning and Budgeting to more effectively plan and implement

programs on GAD as provided under Section 4.4 of the same joint circular which states that:

*“4.4 Institutionalizing GAD Database/Sex-disaggregated Data: The agency shall develop or integrate in its existing database GAD information to include gender statistics and sex-disaggregated data that have been systematically produced or gathered as inputs or bases for planning, budgeting, programming, and policy formulation”*

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

- a. **Incorporate GAD programs, activities and projects in agency’s regular operations to attain the five per cent of the total agency budget appropriations requirement and attribute agency programs to the GAD budget;**
- b. **Maintain GAD database/sex-disaggregated data thru conduct of surveys which will serves as a basis for planning, budgeting, programming, and policy formulation; and**
- c. **Judiciously plan GAD programs, activities and projects to achieve GAD objectives and thereby maximizing the utilization of the GAD funds.**

**D. Compliance Audit – Regulatory Office**

**4<sup>TH</sup> Rate Rebasing Exercises Contract – Reimbursable Expenses**

20. **Management failed to exercise due diligence in the verification of reimbursable expenses claimed by the Consultants, resulting in excessive and unnecessary expenditures totaling P52,932.39, as stated under Clause 49 of the General Conditions of the Contract.**

20.1. Article 9.4 of the Concession Agreement between MWSS-RO and the Concessionaires, Manila Water Company Inc., and Maynilad Water Services Inc. provides that:

*“The Regulatory Office shall determine the Rebasing Adjustment to be used for the purposes of calculating the Rates Limit for each of the five Charging Years of each Rebasing Period... x x x.”*

20.2. On September 28, 2017, the MWSS-RO engaged the services of independent Consultants for the performance of the 4th rate rebasing exercises under contract no. RO-CS2017-01. The Notice to Proceed of the Contract was dated October 2, 2017.

20.3. Clause 49 of the General Conditions of the Contract between MWSS-RO and Consultants authorizes MWSS-RO to audit the representations made by the Consultants, to wit:

*“49.2 The basic purpose of this audit is to verify payments under this Contract and, in this process to also verify representations made by the*

*Consultant in relation to this Contract...x x x...If overpayment is a result of the Consultant having been engaged in what the Procuring Entity (or, as the case may be, the Funding Source) determines to constitute corrupt, fraudulent, or coercive practices, as defined in GCC Clause 27(a.5) and under the Applicable Law, the Procuring Entity shall, unless the Procuring Entity decides otherwise, terminate this Contract.”*

20.4. The following were deemed excessive and unnecessary expenditures:

- a. Overpayment of fees for Rental of Motor Vehicles totaling P30,000.00, wherein same vehicles were used twice a day but were paid separately for each trip. Details are as follows:

	Date	Plate Number	Destination	Time
1	12/05/2018	ZLR 559	MWSS	7:00AM
2			Not indicated	8:30AM – 3:30PM
3	12/06/2018	ZLR 559	MWSS	Not indicated
4			Taguig, Dagat-dagatan	9:00AM – 7:00PM
5	12/14/17	UDI 203	La Mesa TP 1 & 2	8:25AM – 12:30PM
6			La Mesa TP 1 & 2	8:25AM – 12:30PM
7	12/14/17	AIA 1576	Antipolo and San Mateo	8:29AM – 4:04PM
8			Antipolo and San Mateo	8:29AM – 4:04PM
9	12/20/17	XND 988	Pasay STP	8:00AM – 6:30PM
10			Marikina City	10:00PM – 12:05AM

- b. These 10 trips were paid separately for P6,000.00 each, totaling P60,000.00 which should have been made for five vehicles only, totaling P30,000.00 or an excessive payment of P30,000.00.
- c. Payment for two trips dated December 11 and 12, 2017 amounting to P12,000.00 were not supported with any approved trip tickets.
- d. Overpayment amounting to P70.00 pertaining to a meal expense of P784.00 dated December 5, 2017 with OR number 8100, which is inclusive of senior citizen discount amounting to P70.00. Considering that the actual cash outflow of the Consultants from the said expense is only P714.00, it is only proper that the same amount should have been reimbursed to the consultant.
- e. Fuel reimbursements totaling P10,862.39 were supported with receipts which indicated that the fuel was purchased from La Union, Pampanga, and Ilocos Sur. Details are:

	Date	Payee	OR Number	Amount
1	10/28/2017	Petron – Rosario, La Union	20290	1,000.00
2	12/27/2017	Gasville Service Station – La Union	27620	1,161.78
3	01/11/2018	Shell – La Union	493470	1,896.48
4	01/13/2018	Shell – La Union	828054	1,270.45
5	01/15/2018	Shell – Pampanga	335470	2,000.00
6	01/21/2018	Petron – Ilocos Sur	357410	1,484.10
7	01/23/2018	Shell – La Union	504302	1,049.58
8	01/28/2018	Shell - Pampanga	342835	1,000.00
<b>Total</b>				<b>10,862.39</b>

Strangely, the aforementioned provinces are not part of the service areas of the water Concessionaires, Maynilad and Manila Water, nor are there any activities indicated in the contract that require trips to these destinations. In addition, there were no approved trip tickets which showed that the Consultants travelled to La Union, Pampanga, nor Ilocos Sur for an official purpose. Hence, these expenses are considered unnecessary.

**20.5. We recommended that Management:**

- a. Exercise due diligence in the audit of all receipts and supporting documents submitted by the Consultants to prevent payment of Irregular, Unnecessary, Excessive, Extravagant, and Unconscionable expenditures; and**
- b. Require the Consultants to refund the amount of P52,932.39 or deduct the amount from the Consultants’ subsequent billings. Also, submit documents/Official receipt of the refund.**

20.6. Management commented that the Consultants admitted to the errors totaling P46,932.39 that were included in the reimbursements that will be charged against future billings from the Consultants. In view of the foregoing, MWSS RO undertakes to direct its Rate Rebasing Management Committee (RRMC) scrutinize the claims for reimbursements henceforth to avoid similar occurrences.

20.7. We have verified that the amount deemed to be excessive and unnecessary totaling P46,932.39 have been deducted in the subsequent billing from the Consultants. However, there is still a P6,000.00 difference from our noted observation from the amount of P52,932.39 to which Management promised to revisit.

**21. Reimbursement of Expenses amounting to P330,979.04, were billed by the Consultants beyond one month since it was incurred, contrary to Item 8.2 of the Terms of Reference of the Contract.**

21.1. Item 8.2 of the Terms of Reference of the Contract between MWSS-RO and the Consultants specified that:

*“All reimbursements shall be claimed on a monthly basis. Expenses actually spent on a month may only be reimbursed within the following month, otherwise deemed waived.”*

21.2. The following expenses were reimbursed beyond one month from its actual incurrence that should have been deemed waived:

<b>Invoice No.</b>	<b>Invoice Date</b>	<b>Expense Type</b>	<b>Month Expenses were incurred</b>	<b>Amount</b>
02	12/21/17	Transportation Expense (Rental of Vehicle)	October 2017	240,000.00
		Transportation Expense (Fuel)	October 2017	21,716.51
		Pantry Supplies	October 2017	367.85
03	02/05/18	Transportation Expense (Fuel)	November 2017	11,242.78
		Printing and Report	November 2017	53,050.00

Invoice No.	Invoice Date	Expense Type	Month Expenses were incurred	Amount
		Reproduction		
		Meeting Expenses	November 2017	745.00
04	02/26/18	Meeting Expenses	December 2017	3,856.90
<b>Total</b>				<b>330,979.04</b>

- 21.3. **We recommended that Management comply with the provisions of the Contract and disallow the reimbursement of expenses beyond the month of its actual incurrence.**
- 21.4. Management commented that they will inspect the documents and verify that there was no request from the Consultants for extension on submission of reimbursable expenses.
- 21.5. If no request from the Consultants was received, Management should disallow the reimbursable expenses.

#### **4<sup>TH</sup> Rate Rebasing Exercises Contract – Liquidated Damages**

22. **The agreed-upon contract timeline was not strictly complied by the consultants, resulting in the overall delay in the completion of the contract. Also, liquidated damages for delay totaling P1.037 million as provided for in Clause 54 of the General Conditions of the Contract RO-CS2017-01, were not deducted from the contract payments made.**

- 22.1. The total contract price is P64,555,904.00. Details of the contract price are:

Description	Amount
Remuneration for Local Consultant & Support Staff	58,727,200.00
Out-of-Pocket/Reimbursable Expenses	5,828,704.00
<b>Total</b>	<b>64,555,904.00</b>

- 22.2. Contract payments are agreed to be in accordance with the following schedule subject to the acceptance by the MWSS RO of the deliverables/milestones:

Deliverables/Milestones	Submission to MWSS-RO	Per cent of Contract Price
a. Advance Payment	Irrevocable Standby Letter of Credit	15%
b. Presentation of issues, proposed Resolution to these issues, proposed policies to be adopted by MWSS for the CAPEX Audit and Rate Rebasing exercise concerning these issues	60 days from commencement date (11/27/2017)	5% of total remuneration less recovery of advance payment (P2,936,360.00).
c. Historical Cash Flows: i. Financial Audit Detailed Report of HCFs (OPEX, CAPEX, Others) including discussions on adjustments (2013-2017) ii. Technical (CAPEX) Audit Detailed Report including discussions on adjustments	No deadline indicated	20% of total remuneration less recovery of advance payment (P11,745,440.00).

<b>Deliverables/Milestones</b>	<b>Submission to MWSS-RO</b>	<b>Per cent of Contract Price</b>
(2015-2017) iii. Detailed report on the current OCP determination iv. Report on compliance of Concessionaires with service Obligations in the preceding Business plan		
d. Report on the ADR arrived at for the Rate Rebasing Exercise	105 days from commencement (1/11/2018) date	10% of total remuneration less recovery of advance payment (P5,872,720.00).
e. Future Cash Flow i. Report on established KPIs/BEMs and other targets for 2018 and the corresponding rewards and penalties for exceeding or not meeting these targets. ii. Report on the new Business Plan, specifically, the agreed service obligations and CAPEX for 2018 to 2022 iii. Report on established FCF with details on macro-economic and other assumptions used and changes made to projections of Concessionaires. iv. Report on initial assessment concerning compliance with RORB requirement.	180 days from commencement (3/27/2018) date.	20% of total remuneration less recovery of advance payment (P11,745,440.00).
f. Presentation of the required sensitivity analysis	200 days from commencement (4/16/2018)	10% of total remuneration less recovery of advance payment (P5,872,720.00).
g. Report on final determination of compliance with RORB requirement and adjusted tariff, if applicable	210 days from commencement (4/26/2018)	10% of total remuneration less recovery of advance payment (P5,872,720.00).
h. Other items leading to i. changes to the components of the customer bills, if any ii. Socio-political impact of proposed rebased tariff iii. Public consultations	No deadline indicated	5% of total remuneration less recovery of advance payment (P2,936,360.00).
i. Rate rebasing report i. First draft ii. Second draft iii. Final report	No deadline indicated	10% of total remuneration less recovery of advance payment (P5,872,720.00).



- 22.4. It is important to note that the 3<sup>rd</sup> rate rebasing activities were timely completed in June 2012. Hence, the 4<sup>th</sup> rate rebasing should have been completed in June 2017. The performance of the contract is already delayed, and therefore Management should not have allowed any further delays from the Consultants.
- 22.5. Clause 54 of the General Conditions of the Contract provided for the Liquidated Damages for Delay, to wit:

*“If the Consultants fail to deliver any or all of the Services within the period(s) specified in this Contract and under the Applicable law, deduct from the contract price, as liquidated damages, a sum equivalent to one-tenth of one per cent of the price of the unperformed portion of the Services for each day of delay based on the approved contract schedule up to a maximum deduction of ten per cent (10%) of the contract price. Once the maximum is reached, the Procuring Entity may consider termination of this Contract pursuant to GCC Clause 27.” (emphasis ours).*

- 22.6. A total of P1,036,535.08 was computed as liquidated damages due to the delays in meeting the deliverables/milestones of the contract as of December 31, 2018. For activities without deadline, we have set June 28, 2018 (see Item 1.5). Details are:

<b>Deliverables/Milestone</b>	<b>Deadline per Contract</b>	<b>Date submitted</b>	<b>No. of days delayed (A)</b>	<b>Price of Activity (B)</b>	<b>Liquidated Damages (B x 1% x 1/10 x A)</b>
e. Future Cash Flow i. Report on established KPIs/BEMs and other targets for 2018 and the corresponding rewards and penalties for exceeding or not meeting these targets. ii. Report on the new Business Plan, specifically, the agreed service obligations and CAPEX for 2018 to 2022 iii. Report on established FCF with details on macro-economic and other assumptions used and changes made to projections of Concessionaires. iv. Report on initial assessment concerning compliance with RORB requirement.	7/9/2018	7/20/2018	11 days	5,872,720.00	64,599.92
		12/07/2018	29 days	5,872,720.00	886,780.72
h. Other items leading to i. changes to the components of the customer bills, if any ii. Socio-political impact of proposed rebased tariff iii. Public consultations	10/31/2018	11/29/2018	29 days	2,936,360.00	85,154.44
<b>Total</b>					<b>1,036,535.08</b>

22.7. **We recommended that Management:**

- a. **Require the Consultants to refund the liquidated damages amounting to P1,036,535.08 or deduct the amount from future contract payments to be made to the Consultants;**
- b. **Compute and deduct from the contract price any further liquidated damages resulting from the Consultant’s delays in the fulfillment of the remaining deliverables/milestones that should have been completed in October 31, 2018.**

22.8. The Management will have to revisit the documents before providing their formal comment.

**Subsidiary Ledgers**

23. **The MWSS-RO does not maintain subsidiary ledgers of various receivable accounts as required under Sections 111 and 114 of P.D. 1445 (otherwise known as the Government Auditing Code of the Philippines) to keep track of financial transactions.**

23.1. Section 111 of P.D. 1445 indicated the responsibility of the agencies in the maintenance of accounts, to wit:

*“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. xxx.”*

23.2. Section 114 of P.D. 1445, otherwise known as the Government Auditing Code of the Philippines, states that:

*“Section 114 The general ledger.*

1. *The government accounting system shall be on a double entry basis with a general ledger in which all financial transactions are recorded.*
2. ***Subsidiary records shall be kept where necessary.*** (emphasis ours).

23.3. Verification of the accounts of MWSS-RO for CY 2018, subsidiary records for the following receivable and payable accounts were not maintained.

	<b>Account Name</b>	<b>Balance as of December 31, 2018 without subsidiary records</b>
1	Due from Officers and Employees (OE) – Health Insurance	966,839.94
2	Due from OE – MVFP Insurance	75,614.55
3	Due from OE – Others	78,561,216.68
4	Other Receivables	283,004.27
5	Other Payables	644,084.41

- 23.4. The absence of subsidiary ledgers for various receivable and payable accounts results to the lack of monitoring of the debtors and creditors of the Office. Collections thereof are neglected.
- 23.5. Furthermore, the accounts could not be validated due to the absence of the subsidiary records that would support the balances of the individual account.
- 23.6. **We recommended that Management maintain subsidiary records for all receivable and payable accounts as provided under Section 114(2) of P.D. 1445.**
- 23.7. Management commented that most of the receivable accounts were recorded prior to 2008; thus, this hinders them to view historical records/nature of the entries thru Peachtree, which was implemented only during calendar year 2008. Moreover, the finance unit lacked manpower to create a separate subsidiary ledger that will monitor all accounts receivable on a per transaction basis, which deficiency the Management are hoping to resolve through their ongoing reorganization.

<b>Notes to Financial Statements</b>
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**24. Management did not prepare Notes to Financial Statements contrary to Section 4.2 (b) Item 6 of COA Circular No. 2017-004 dated December 13, 2017.**

- 24.1. Section 4.2 (b) of COA Circular No. 2017-004 dated December 13, 2017 indicated the components of the general-purpose Financial Statements (FS) for Non-Government Business Entities in accordance with Philippine Public Sector Accounting Standards (PPSAS) 1, to wit:

- 1. Statement of Financial Position*
- 2. Statement of Financial Performance*
- 3. Statement of Cash flows*
- 4. Statement of Changes in Net Assets/Equity*
- 5. Statement of Comparison of Budget and Actual Amounts*
- 6. Notes to FS comprising a summary of significant accounting policies and explanatory notes (include major projects and activities)** (emphasis ours).

- 24.2. On November 19, 2018, we have requested for various documents, including the complete set of financial statements, which are necessary in the audit of MWSS-RO's FS for CY 2018
- 24.3. FS for CY 2018 of MWSS-RO was received by this Office on February 14, 2019, however, the Notes to FS were not included, thus, a follow-up letter was sent on February 22, 2019.
- 24.4. On March 5, 2019, the Notes to FS were submitted but it is not in accordance with the requirements of Section 4.2 (b) Item 6 of COA Circular No. 2017-004.
- 24.5. **We recommended that Management comply with Section 4.2 (b) of COA Circular No. 2017-004 in the preparation of Notes to FS comprising a summary of significant accounting policies and explanatory notes.**

24.6. Management commented that MWSS-RO and MWSS-CO religiously submits its consolidated notes to financial statements to the COA. The notes contain all salient features and events that transpired for both Regulatory Office and Corporate Office during each audit year. MWSS-RO believes that their submissions are substantial compliance, moving forward, MWSS-RO will undertake to submit separate Notes to Financial Statements in consonance with the recommendations.

We take exceptions that the MWSS-RO religiously submits its Notes to Financial Statements to the COA, hence this audit recommendation.

**Contract of Service Workers**

25. **Hiring of Contract of Service employees with functions similar to those of the agency’s existing regular employees, is contrary to Section 7 of CSC-COA-DBM Joint Circular No. 1 series of 2017 dated June 15, 2017.**

25.1. Section 7 of CSC-COA-DBM Joint Circular No. 1 s.2017 dated June 15, 2017 sets the limitation on the hiring of Contract of Service (COS) and Job Order (JO) employees, to wit:

*“7.1 Hiring under contract of service shall be limited to consultants, learning service providers, and/or other technical experts to undertake special project or job within a specific period. **The project or job is not part of the regular functions of the agency**, or the expertise is not available in the agency, or it is impractical or more expensive for the government agency to directly undertake the service provided by the individual or institutional contractor.*

X x x...

*7.2 (sic) **Contract of service and job order workers should not, in any case, be made to perform functions which are part of the job description of the agency’s existing regular employees.** x x x.”*  
(emphasis supplied).

25.2. As of December 31, 2018, the following COS employees, as stated in their contracts, have similar functions with that of the agency’s regular employees, contrary to Section 7.2 of CSC-COA-DBM Joint Circular No. 1 s. 2017 (details in Annex D):

<b>COS Employee</b>	<b>Comparable Regular Position</b>
COS Employee 1	Administrative Officer II Administrative Officer III
COS Employee 2	Secretary
COS Employee 3	Data Analyst Controller
COS Employee 4	Sr. Water Utilities Regulation Officer – Water Quality Control Department
COS Employee 5	Secretary
COS Employee 6	Driver-Mechanic B
COS Employee 7	Driver-Mechanic B
COS Employee 8	Driver-Mechanic B
COS Employee 9	Secretary
COS Employee 10	Sr. Water Utilities Regulation Officer –

<b>COS Employee</b>	<b>Comparable Regular Position</b>
	Water Quality Control Department
COS Employee 11	Sr. Water Utilities Regulation Officer – Operations Monitoring Department
COS Employee 12	Secretary
COS Employee 13	IRM Officer
COS Employee 14	IRM Officer
COS Employee 15	Driver-Mechanic B

25.3. Furthermore, there are also some COS employees who were hired to perform the regular functions of the Agency, contrary to Section 7.1 of CSC-COA-DBM Joint Circular No. 1 s.2017. Details are:

<b>COS Employee</b>	<b>Functions</b>	<b>Department with similar Function</b>	<b>Functions</b>
COS Employee 16	<ul style="list-style-type: none"> <li>• Receives and encodes complaints endorsed by the 8888 Citizen's Complaints Center;</li> <li>• Contacts the complainant for verification and additional information as well as prepare endorsement letter to the concessionaires.</li> <li>• Perform secretarial duties for the Complaints services Monitoring Department.</li> <li>• Perform such other general services functions as may be required.</li> </ul>	Complaints Services Monitoring Department	<ul style="list-style-type: none"> <li>• Monitoring of customer service efficiency of the concessionaire</li> <li>• Monitoring of customer service standards</li> <li>• Resolution of customer complaints customer feedback system</li> </ul>
COS Employee 17	<ul style="list-style-type: none"> <li>• Assist the Rate Rebasing Management Committee on the contract management of the consultancy services.</li> <li>• Performs reconciliations, validations, cross-referencing of accounts and others relative to the reports and submissions of the consultants.</li> <li>• Provides technical and administrative support relative to the reports submitted by consultants.</li> <li>• Perform such other general services functions as may be required.</li> </ul>	MWSS-RO	<ul style="list-style-type: none"> <li>• Rate Rebasing exercises</li> </ul>

25.4. It is also noted that the following plantilla positions with functions being currently performed by the COS employees are vacant as of March 31, 2019:

<b>Position</b>	<b>Department</b>
Principal Chemist	Water Quality Control Department
Senior Water Utilities Regulation Officer	Water Quality Control Department
Laboratory Technician A	Water Quality Control Department

Secretary B	Water Quality Control Department
Senior Information Officer	Public Information Department
IRM Officer A	Administration Department
Secretary B	Legal Department
Secretary B	Tariff Control and Monitoring Department

25.5. However, some existing COS employees may be considered for the vacant or unfilled positions as per approved Plantilla of Personnel for CY 2018, pursuant to Section 11.3 of CSC-COA-DBM Joint Circular No. 1, s.2018 which read as:

*“The existing qualified COS and JO workers shall be considered for appointment by the government agencies to their vacant positions subject to existing Civil Service Law and rules and agency CSC-approved Merit Selection Plan.”*

25.6. **We recommended that Management:**

- a. **Stop the hiring of COS employees that will render functions which are already being performed by the Agency’s existing regular employees, in compliance with Section 7 of CSC-COA-DBM Joint Circular No. 1 s. 2017 dated June 15, 2017; and**
- b. **Consider the existing COS employees to MWSS RO’s vacant regular positions, subject to existing Civil Service laws/regulations and agency CSC-approved Merit Selection Plan.**

25.7. Management commented that the reproduced portions from the individual contracts seemingly performed by the COS personnel were included in their contracts as gauge or comparable basis for the determination of their compensation. The responsible and accountable personnel remain to be the supervising regular employee.

Anent the second recommendation, Management commented that despite the required publication of the vacancies, very few were appointed since those qualified may not at the same time possess the required competencies. Nonetheless, MWSS-RO is currently undergoing a reorganization to address its manpower needs.

### **Gender and Development (GAD)**

26. **The GAD expenses amounted to P2,465,309.73 in spite the Agency’s failure to submit GAD Plan and Budget (GPB) for CY 2018 to Philippine Commission on Women (PCW) as required by Section 8 of PCW-NEDA-DBM Joint Circular No. 2012-01 and PCW Memorandum Circular No. 2016-05 dated September 30, 2016.**

26.1. Section 8 of the PCW-NEDA-DBM Joint Circular No. 2012-01 provides the submission of the GPB to the PCW for review and endorsement to DBM.

26.2. PCW Memorandum Circular No. 2016-05 required the submission of CY 2018 GPBs from all government agency by January 31, 2017, 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. Records showed that RO was not able to upload or even prepare its 2018 GPB to the Gender Mainstreaming Monitoring System or GMMS (an online system for automating the GPB and GAD AR submission of the government agencies).

- 26.3. On January 11, 2019 we requested for documents pertaining to GAD, which include the agency's GPB for 2018 as approved by PCW. However, the GPB transmitted by MWSS-RO to this Office on January 12, 2019 does not bear the approval of PCW. As per inquiry with a GAD committee personnel, the GPB for 2018 was not submitted to PCW for review and approval.
- 26.4. Verification of the Other Maintenance and Other Operating Expenses (MOOE) – GAD & Cultural account disclosed the following expenses pertaining to the Management's GAD Activities for CY 2018:

	<b>Date</b>	<b>Reference No.</b>	<b>Particulars</b>	<b>Amount</b>
1	1/19/2018	PCV 18-017 525754 DV023	Tarpaulin for Carriedo Cup 2018 Sportsfest	700.00
2	2/28/2018	525848 DV100	Payment of registration fee relative to the Art Training and Workshop	23,000.00
3	3/19/2018	525889 DV134	Reimbursement expenses: MWSS RO Mini Olympics held last month of March 12, 2018	25,299.00
4	3/20/2018	525885 DV137	Payment of Services: Screening of the film "Ang Panggagahasa Kay Fe"	16,000.00
5	3/20/2018	525884 DV136	Payment of Services: Screening of "Barber's Tale"	21,333.33
6	3/22/2018	525920 DV147	Payment of meals for the RO mini Olympics for CY2018	33,550.00
7	3/31/2018	JV-03-18-016	Partial liquidation of IPO DAM Watershed Tree Planting	34,906.00
8	3/31/2018	JV-03-18-017	Full liquidation of CA for CY2018 Carriedo Cup	193,398.50
9	4/11/2018	525936 DV178	Payment of honoraria as resource speaker: Gender Mainstreaming Evaluation Framework Seminar	11,852.54
10	4/13/2018	525949 DV184	Payment of meals and snacks for the period March 9 - April 10, 2018 – Women's Month	38,235.00
11	4/19/2018	525958 DV193	Payment of polo shirts as per PO no. 18-020	30,500.00
12	4/27/2018	525984 DV211	Reimbursement of expenses CY2018 GCAA: Practical Shooting	36,266.00
13	4/30/2018	JV-04-18-023	Full liquidation for CA for CY2018 National Women's month	41,854.79
14	5/7/2018	526014 DV231	Reimbursement of tournament/entry fee: 2018 GCAA Shoot Fest	12,000.00
15	5/18/2018	526035 DV250	Payment of annual membership fee for CY2018	12,500.00
16	7/2/2018	PCV 18-250 556534 DV320	Replenishment of Petty Cash Advance	1,440.00
17	7/31/2018	JV-07-18-046	Full liquidation of CA for IPO Dam Watershed Tree Planting	77,333.50
18	8/1/2018	556574	Payment of catering for the 21st	100,199.00

	<b>Date</b>	<b>Reference No.</b>	<b>Particulars</b>	<b>Amount</b>
		DV385	Anniversary of MWSS RO	
19	8/6/2018	PCV 18-260 556614 DV397	GAD Meeting meals/snacks - June 26 re: 21st Anniversary	1,543.00
20	8/6/2018	PCV 18-269 556614 DV397	GAD Meeting meals/snacks - July 2 re: 21st Anniversary	2,578.00
21	8/6/2018	PCV 18-275 556614 DV397	Sports Committee Meeting - July 4 re: 21st Anniversary Sports Activity, In-House Bowling, Update on GCAA Event	1,200.00
22	8/9/2018	556625 DV413	Payment of plaque as per PO no. 18-051	4,000.00
23	8/31/2018	JV-08-18-051	Full liquidation of CA for the GCAA Tournament	122,390.00
24	9/6/2018	PCV 18-307 556682 DV460	GAD Meeting meals/snacks - Sept 6 re: Proposed GAD Activities for September and October	1,650.00
25	9/26/2018	PCV 18-363 556744 DV519	GAD Meeting meals/snacks - Sept 6 re: Proposed GAD Activities for September and October	3,360.50
26	9/26/2018	PCV 18-364 556744 DV519	GAD Meeting meals/snacks - Aug 15 re: Post Evaluation of RO's 21st Anniversary, Family Day Sept 2018, Consumer Month - Oct 2018, Statistics Month - Oct 2018	1,869.00
27	9/26/2018	PCV 18-373 556744 DV519	GAD Meeting meals/snacks - Sept 13 re: Updates on GAD Activities for September and October 2018	2,389.00
28	9/26/2018	PCV 18-387 556744 DV519	GAD Meeting meals/snacks - Sept 21 re: Updates on GAD Activities for September and October 2018, 2018 RO Family Day	3,360.50
29	9/28/2018	JV-09-18-056	Full liquidation of RO anniversary	114,053.20
30	9/28/2018	JV-09-18-057	Full liquidation of CA for CSC Fun Run	21,676.00
31	10/10/2018	PCV 18-393 556785 DV555	Ocular Inspection - ABS-CBN Experience	375.00
32	10/10/2018	PCV 18-394 556789 DV563	GAD Meeting meals/snacks - Sept 25 re: Updates on GAD Activities for October 2018, RO Family Day	1,729.00
33	10/10/2018	PCV 18-401 556789 DV563	Sports Committee Meeting - Sept 27	1,705.00
34	10/12/2018	556789 DV563	Reimbursement of expenses: Meeting in the Office of the Solicitor general, GAD etc.	613.00
35	10/12/2018	556794 DV567	Payment of meals: Training and Orientation for the month of June, July, & August 2018	1,350.00
36	10/31/2018	JV-10-18-064	Partial Liquidation of CA for Tree Planting	121,178.15
37	10/31/2018	JV-10-18-066	Full liquidation of CA for GAD Activities: Family Day and National Statistics Month	188,229.00
38	11/5/2018	556830	Replenishment of petty cash	3,400.00

	Date	Reference No.	Particulars	Amount
		DV599	advance	
39	11/19/2018	556881 DV647	Payment of registration fee: Art Training and Workshop	22,000.00
40	11/19/2018	556882 DV_644	Replenishment of PCF	3,738.00
41	11/22/2018	556883 DV651	Payment of honoraria as resource speaker: Gender Sensitivity Seminar	13,200.00
42	11/30/2018	JV-11-18-074	Full liquidation of CA for Ipo Dam Watershed Tree Planting	159,625.00
43	12/4/2018	556918 DV676	Payment of Honoraria as resource speaker: In-house Training on Dealing with Stress and Burnout in the Workplace	23,637.92
44	12/5/2018	556928 DV678	Replenishment of PCF	792.00
45	12/5/2018	556930 DV677	Payment of additional registration fee: Art and Training Workshop	9,600.00
46	12/6/2018	556929 DV681	Payment of service fee: Screening of the film "Bagahe" - 18 days to end VAW	26,315.79
48	12/28/2018	DV737	Reimbursement of meals: GAD Meetings for the RO Year End Assessment	1,952.50
49	12/30/2018	JV-12-18-080	Full liquidation of CA for RO Year End Assessment	67,200.00
50	12/30/2018	JV-12-18-083	Full Liquidation of CA for RO Sportsfest	254,515.00
51	12/30/2018	JV-12-18-084	Full liquidation of CA for 2018 18-day campaign to end VAW	454,420.36
52	12/30/2018	JV-12-18-085	Full liquidation of RO Revolving Fund	1,440.00
53	12/30/2018	JV-12-18-087	Share Cost allocation of RO and CO Christmas Party	117,857.15
<b>Total</b>				<b>2,465,309.73</b>

26.5. The above expenses totaling P2,465,309.73 are deemed without legal basis because the above activities were not determined by the PCW to be responsive to a specified Gender Issue, or whether the Gender issues exists in the Agency.

26.6. **We recommended that Management:**

- a. **Submit timely the GAD Plan and Budget to the PCW for review and approval in compliance with Section 8 of PCW-NEDA-DBM Joint Circular No. 2012-01; and**
- b. **Stop the practice of implementing GAD Programs, Activities, and Projects as perceived only by Management, without the approval of the PCW to avoid any disallowances.**

26.7. Management assured that, moving forward, they will adhere to COA's policies on the GAD plan, budget and activities. Moreover, the Management undertake to make a timely submission of the office's GPB.

The MWSS-RO was unfortunately unable to upload and secure the approval of the PCW of its GPB for CY 2018 due to the recurring issues with the PCW's Gender Mainstreaming Monitoring System or GMMS (an online system for automating the GPB and GAD AR submission of government agencies).

However, MWSS-RO also informed that they were able to successfully obtain a PCW-endorsed GPB for CY 2019 which substantially include the same programs and activities in their 2018 GPB. Hence, MWSS-RO's GAD Projects and Activities should likewise be considered gender responsive and are with legal basis.

### ***Advances to UP – National Engineering Center***

**27. 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.**

- 27.1. This is a reiteration of a previous audit observation in the CYs 2014, 2015, 2016 and 2017 Annual Audit Reports.
- 27.2. 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.
- 27.3. In their March 24, 2017 reply, the UP-NEC acknowledge 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.
- 27.4. 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.
- 27.5. On January 29, 2018, MWSS-RO sent another demand letter to UP-NEC for the remittance of the remaining 50% of the unexpended budget in the amount of P1.035 million. Furthermore, the MWSS-RO has also elevated the matter to the UP Chancellor through a demand letter dated December 12, 2018. To date, no response has been received by Management.
- 27.6. **We reiterate our recommendation for Management to 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.**

27.7. Management commented that they will follow-up the demand from UP-NEC through the UP Chancellor to compel remittance of the remaining 50% of the unexpended budget in the amount of P1.035 million.

Furthermore, the Management shall coordinate with the UP-Accounting Office for the verification of the recorded expenses as charged to the PAWS Budget per their approval of the disbursements and to record said expenses in the books of the Regulatory Office.

27.8. We recognize the Management’s action towards the demand of the unexpended budget.

**Government Vehicles**

28. **The shuttle service vehicles are still not parked within the office’s premises after office hours and during weekends and holidays, contrary to Section 3 of Administrative Order No. 239, s. 2008.**

28.1. The four drivers of MWSS RO are mainly used for its Regular Water Sampling activities and for Shuttle Service of personnel 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 <b>(PM)</b>  Bagong Barrio Caloocan City, EDSA, A. Bonifacio, Welcome Rotonda- Quezon Blvd. – Philcoa – MWSS <b>(AM)</b>	Caloocan
Driver 2	Shuttle Service	MWSS-Katipunan Ave.-Boni Serrano Ave.– EDSA–Crossing–Boni Ave.-Guadalupe-Coastal Road-Molino Subd., Bacoor, Cavite <b>(PM)</b>  Molino Subd., Bacoor Cavite-Coastal Road, EDSA, Magallanes-Boni Ave. – Crossing- Quezon Blvd.-Philcoa-MWSS <b>(AM)</b>	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

28.2. The RO also acquired five new motor vehicles in CY 2018, assigned to its Officials, as shown below:

Vehicle	Assigned Office
Toyota Fortuner (A5 D194)	Office of the Chief Regulator
Toyota Rush (A7 W350)	Technical Regulation Area
Toyota Rush (A5 X362)	Financial Regulation Area
Toyota Rush (A6 J346)	Customer Service Regulation Area
Toyota Rush (A6 H878)	Administration and Legal Affairs

28.3. However, verification disclosed that the vehicles used as Shuttle Service are still parked in the driver respective residences even on weekends and holidays as shown in the trip manifests attached to the trip tickets and as confirmed by the Property Officer. Likewise, the vehicles assigned to the officials are parked in their respective garages. Such practice is prone to the possibility that the vehicles may be used for non-official activities and increase in gasoline consumptions, in clear violation of Section 3 of Administrative Order (AO) No. 239, s. 2008, which states:

*“The use of government vehicles by bureaus and offices shall be authorized only through the issuance for each trip of a serially numbered ticket, duly signed by an authorized official. These motor vehicles shall be used strictly for official businesses, **bear government plates only, and after office hours or during weekends and holidays kept in a garage designated/provided therefor by the bureau or office to avoid their unauthorized use.**”* (emphasis ours)

28.4. This rule is likewise stated in Section V, Item 5 of COA Circular No.75-6 dated November 7, 1975, to wit:

*“(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)

28.5. **We reiterated our recommendation that Management comply with Section 3 of AO No. 239, s. 2008 which provides safeguard to government motor vehicles as well as on the use of government plates for government vehicles.**

28.6. Management commented that it is impractical to return the vehicle to the office in the evening and take it again in the morning to fetch employees. Likewise, odometers are regularly monitored to ensure that it is not being used by the drivers for personal use during the weekend.

28.7. We would like to emphasize that the person to whom the vehicle is assigned shall be fully accountable for any loss or damages caused to the vehicles.

## **E. Compliance with Tax Laws**

29. For MWSS Corporate Office, the taxes withheld and due to the Bureau of Internal Revenue for CY 2018 were properly recorded and remitted within the prescribed period. However, the Due to BIR account showed an unreconciled/unremitted balance of P1.240 million, after deducting the taxes withheld in December 2018 which were remitted to the BIR in January 2019. See Audit Observation under Paragraph A.9 of this report.

30. For MWSS Regulatory Office, all income taxes withheld on salaries for January to November 2018 were remitted in CY 2018 while income taxes withheld in December 2018 were remitted on January 11, 2019.

**F. Compliance with Rules on the Government Mandatory Deductions**

31. MWSS Corporate Office complied with GSIS, Pag-IBIG and PhilHealth guidelines on the collection and remittance of employer and employees contributions and loan amortizations of employees. See Audit Observation No. A.8 of this report for some exceptions noted.

32. For MWSS Regulatory Office the amount withheld from employees for their GSIS, Pag-IBIG, and PhilHealth contributions from January to November 2018 were all remitted in CY 2018, while the December 2018 GSIS, Pag-IBIG, and PhilHealth contributions were remitted in January 10, 2019.

**G. Status of Audit Suspensions, Disallowances and Charges**

33. A summary of audit disallowances issued for transactions ending December 31, 2018 is shown below:

Particulars	MWSS – Corporate Office	MWSS – Regulatory Office
Notice of Disallowances which are Final and Executory	27,473,309.31	91,963,268.95
Audit Disallowances with Pending Appeal with the Cluster 3/COA Commission Proper/ Supreme Court/Supreme Court or Without Appeal Received but Appeal Period has not yet Expired	303,452,034.56	157,564,016.78
<b>Total</b>	<b>327,925,343.87</b>	<b>249,527,285.73</b>

34. Tables showing the status of audit disallowances for transactions of the MWSS Corporate Office and Regulatory Office are as follows:

**MWSS Corporate Office  
Notice of Disallowances which are Final and Executory**

	ND No.	Date	Nature of Disallowance	Amount	Status
1	13-001-05-(12)	June 13, 2013	Amelioration Allowance	3,680,227.14	NFD No. 2019-012 dated January 17, 2019 issued by the COA-CPASSSS  COA Decision No. 2016-384 dated November 21, 2016 (Motion for Reconsideration)  COA Decision No. 2016-202 dated August 12, 2016 (Petition for Review)

	ND No.	Date	Nature of Disallowance	Amount	Status
2	13-002-05-(12)	June 14, 2013	COLA	14,720,328.21	-do-
3	13-003-05-(12)	July 1, 2013	RATA	6,001,992.84	-do-
4	13-004-05-(12)	July 1, 2013	RATA	2,704,617.28	-do-
11	2014-03-0002	March 10, 2014	Cash Advance for Project Ondoy in 2009 charged against MWSS' Confidential and Intelligence Fund	366,143.84	COE No. 2018-065 dated August 28, 2018  NFD No. 2018-230 dated May 4, 2018  <i>NSSDC No. 19-002 dated April 5, 2019 in the amount of P8,500.00</i>
<b>Total Unsettled Audit Disallowances which are final and executory – MWSS Corporate Office</b>				<b>27,473,309.31</b>	

**MWSS Corporate Office  
Audit Disallowances with Pending Appeal with the COA Commission Proper/ Supreme Court or Without Appeal Received but Appeal Period has not yet Expired**

	ND No.	Date	Nature of Disallowance	Amount	Status
1	10-001-05-(09)	July 16, 2010	Year-End Financial Assistance	6,565,910.90	With Petition for Certiorari filed before the Supreme Court  Notice of Finality of Decision dated August 29, 2017  COA Decision No. 2016-394 dated December 5, 2016
2	10-002-05-(09)	July 16, 2010	Anniversary Bonus	5,417,999.39	-do-
3	10-003-05-(09)	July 16, 2010	Anniversary Bonus	5,688,443.56	-do-
4	10-004-05-(09)	July 16, 2010	Monetization of Leave credits	1,178,209.03	-do-
5	10-005-05-(09)	July 16, 2010	Traditional Anniversary Bonus	686,000.00	-do-
6	10-006-05-(09)	July 16, 2010	Mid-Year Financial Assistance	5,818,138.91	-do-
7	10-007-05-(09)	July 16, 2010	RATA for January 2009	104,000.00	-do-
8	10-008-05-(09)	July 16, 2010	RATA for February 2009	104,000.00	-do-
9	10-009-05-(09)	July 16, 2010	RATA for March 2009	104,000.00	-do-
10	10-010-05-(09)	July 16, 2010	Family Day Allowance (Regular)	1,800,000.00	-do-
11	10-011-05-(09)	July 16, 2010	Rate Rebasing Bonus (Regular)	5,764,746.31	-do-
12	10-012-05-(09)	July 16, 2010	Family Week Allowance (Regular)	6,454,899.70	-do-
13	10-013-05-(09)	July 16, 2010	Performance Enhancement Incentive	6,524,033.20	-do-
14	09-014-05-(09)	July 16, 2010	GOCC Incentive For CY 2008	5,471,382.77	-do-
15	10-015-05-(09)	July 16, 2010	Scholarship Allowance (1 <sup>st</sup> Tranche)	3,985,333.71	-do-
16	09-016-05-(09)	July 16, 2010	Scholarship	6,603,893.90	-do-

	ND No.	Date	Nature of Disallowance	Amount	Status
			Allowance (2 <sup>nd</sup> Tranche)		
17	10-029-05-(09)	August 16, 2010	Corporate Christmas Package for CY 2009	10,730,286.97	-do-
18	10-017-05-(09)	July 29, 2010	PX Mart Allowance (4 <sup>th</sup> Quarter)	2,630,000.00	With Petition for Review filed before the COA Commission Proper under CP Case No. 2011-371
19	10-018-05-(09)	July 29, 2010	Grocery Incentive Pay (1 <sup>st</sup> Quarter)	2,048,273.83	-do-
20	10-019-05-(09)	July 29, 2010	Grocery Incentive Pay (2 <sup>nd</sup> Quarter)	2,053,273.85	-do-
21	10-020-05-(09)	July 29, 2010	PX Mart Allowance (3 <sup>rd</sup> Quarter)	2,635,000.00	-do-
22	10-021-05-(09)	July 29, 2010	Efficiency Incentive Benefit for CY 2009	5,929,843.97	-do-
23	10-022-05-(09)	July 29, 2010	Privatization Financial Assistance	5,679,037.49	-do-
24	10-023-05-(09)	July 29, 2010	Educational Assistance	5,741,017.42	-do-
25	10-024-05-(09)	July 20, 2010	Extraordinary Expenses	1,325,375.40	-do-
26	10-025-05-(09)	July 29, 2010	Extraordinary Expenses	2,111,192.85	-do-
27	10-030-05-(09)	August 18, 2010	Grocery Allowance (2 <sup>nd</sup> Quarter – BOT)	77,628.50	-do-
28	10-031-05-(09)	August 18, 2011	Grocery Allowance (1 <sup>st</sup> Quarter – BOT)	73,747.09	-do-
29	10-032-05-(09)	August 18, 2011	Grocery Allowance (3 <sup>rd</sup> Quarter – BOT)	90,000.00	-do-
30	10-033-05-(09)	August 18, 2011	Grocery Allowance (4 <sup>th</sup> 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 Petition for Certiorari filed before the Supreme Court  NFD no. 2019-022 dated January 18, 2019 issued by COA-CPASSSS  COA Decision No. 2017-291 dated September 6, 2017
32	13-005-05-(12)	July 1, 2013	Procurement of private health insurance	3,072,183.95	With Petition for Review filed before the COA Commission Proper under Case No. 2016-808
33	13-006-05-(12)	July 1, 2013	-do-	857,205.00	-do-
34	13-007-05-(12)	July 1, 2013	-do-	2,985,516.00	-do-
35	13-009-05-(12)	December 3, 2013	Hazard and Longevity Pay	1,269,627.39 5,017,297.07	With Petition for Review filed before the COA Commission Proper under COA CP Case No. 2016-935
36	14-001-05-(12)	February 4, 2014	Janitorial Services	2,855,968.14	With Petition for Review filed before the COA Commission Proper
37	14-002-05-(12)	April 25, 2014	Rice Allowance	2,716,030.99	With Petition for Review filed before the COA Commission Proper

	ND No.	Date	Nature of Disallowance	Amount	Status
					under COA CP Case No. 2016-543
38	14-009-05-(13)	October 1, 2014	Hazard and Longevity Pay	1,120,917.28 5,166,462.69	With Petition for Review filed before the COA Commission Proper
39	14-010-05-(13)	October 14, 2014	RATA	1,736,399.47	With Petition for Review filed before the COA Commission Proper under COA CP Case No. 2016-586  With Petition for Review filed before the COA Commission Proper under COA CP Case No. 2016-278
40	14-011-05-(13)	October 3, 2014	RATA	3,649,328.00	With Petition for Review filed before the COA Commission Proper under COA CP Case No. 2016-586
41	14-012-05-(13)	November 4, 2014	Rice Allowance	2,697,161.04	COA Decision No. 2019-179 dated May 24, 2019
42	14-013-05-(13)	November 24, 2014	Janitorial Services	3,657,198.05	With Petition for Review filed before the COA Commission Proper
43	15-002-05-(PY)	April 20, 2015	Validity of Appointment	822,129.00	COA CGS Cluster 3 Decision No. 2017-22 dated June 5, 2017 was elevated to the COA Commission Proper for automatic review
44	15-003-05-(PY)	June 29, 2015	Consultancy Services	1,315,000.00	COA CGS Cluster 3 Decision was elevated to the COA Commission Proper for automatic review
45	15-004-05-(PY)	June 30, 2015	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
46	15-007-05-(14)	November 3, 2015	RATA	366,372.00	With Petition for Review filed before the Commission Proper under COA CP Case No. 2017-223
47	15-008-05-(14)	November 3, 2015	RATA	519,596.00	With Petition for Review filed before the Commission Proper under COA CP Case No. 2017-223
48	15-009-05-(14)	November 3, 2015	Hazard and Longevity Pay	751,962.93 5,032.26	With Petition for Review filed before the COA Commission Proper
49	15-010-05-(14)	November 23, 2015	Reimbursement OGCC Lawyers	728,232.33	With Petition for Review filed before the COA Commission Proper  <i>With settlement of P4,900</i>

	ND No.	Date	Nature of Disallowance	Amount	Status
50	16-001-05-(14)	January 26, 2016	Rice Allowance	1,085,745.81	With Petition for Review filed before the COA Commission Proper
51	16-002-05-(14)	January 26, 2016	Meal Allowance	1,041,600.00	With Petition for Review filed before the COA Commission Proper
52	16-003-05-(14)	January 26, 2016	Meal Allowance	1,132,567.09	-do-
53	16-04-05-(15)	May 31, 2016	Hazard Pay	652,338.86	With Petition for Review filed before the Commission Proper COA
54	16-05-05-(15)	August 8, 2016	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
55	16-06-05-(15)	August 31, 2016	Deficiency Taxes	77,491,573.88	With Petition for Review filed before the COA Commission Proper  CGS Cluster 3 Decision No. 2018-12 dated April 12, 2018
56	16-07-05-(15)	September 19, 2016	Invalidated Appointment	260,533.39	COA CGS Cluster 3 Decision No. 2017-16 dated April 17, 2017 was elevated to the COA Commission Proper for automatic review  <i>NSSDC No. 17-005 dated April 17, 2017 for partial settlement of P225,319.27</i>
57	10-026-05-(09)	July 28, 2010	Cash Token- Jim G. Fondevilla	200,000.00	The COA CGS Cluster 3 Decision No. 2016-40 dated October 3, 2016, COA CGS Cluster 3 Decision No. 2016-42 dated October 4, 2016 and COA CGS Cluster 3 Decision No. 2016-44 dated October 6, 2016 were elevated to the COA Commission Proper for automatic review.
58	10-027-05-(09)	July 28, 2010	Financial Assistance- Lorenzo S. Sulaik	250,000.00	-do-
59	10-028-05-(09)	July 28, 2010	Medical/Financial Assistance- Oscar Garcia	450,000.00	-do-
60	14-005-05-(12)	June 30, 2014	Meal Allowance	2,142,850.00	COA Decision No. 2019-019 dated February 20, 2019
61	14-006-05-(12)	June 30, 2014	Meal Allowance	2,033,200.00	COA Decision No. 2019-019 dated February 20, 2019
62	14-007-05-(13)	June 30, 2014	Meal Allowance	2,086,800.00	COA Decision No. 2019-019 dated February 20, 2019

	ND No.	Date	Nature of Disallowance	Amount	Status
63	14-008-05-(13)	June 30, 2014	Meal Allowance	1,910,880.00	COA Decision No. 2019-019 dated February 20, 2019
64	2018-02-223-(16)	March 8, 2018	IT Equipment	196,430.00	No appeal filed with the Office of the Cluster Director  <i>NSSDC No. 19-001 dated April 5, 2019 in the amount of P181,500.00</i>
65	2019-01-841-(18)	March 26, 2019	Repairs and Maintenance of Motor Vehicles	252,110.00	No appeal filed with the Office of the Cluster Director
<b>Total Unsettled Audit Disallowances with Pending Appeal with the COA Commission Proper/Supreme Court or Without Appeal Received but Appeal Period has not yet Expired – MWSS Corporate Office</b>				<b>303,452,034.56</b>	

**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)	July 16, 2010	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)	July 16, 2010	Productivity Enhancement Pay (PEP)	622,000.00	-do-
3	RO10-003-510(09)	July 16, 2010	Rate Rebasing Allowance	622,000.00	-do-
4	RO10-004-510(09)	July 16, 2010	Rate Rebasing Incentive Pay (Premium)	622,000.00	-do-
5	RO10-005-510(09)	July 16, 2010	Family Day & Educational Allowances	416,000.00	-do-
6	RO10-006-719-6(09)	July 16, 2010	Traditional Christmas Bonus	793,400.00	-do-
7	RO10-007-510(09)	July 16, 2010	Productivity Incentive Bonus (PIB) 1	793,400.00	-do-
8	RO10-008-510(09)	July 16, 2010	GOCC Incentive	793,400.00	-do-
9	RO10-009-510(09)	July 16, 2010	Collective Negotiation Agreement (C N A) Incentive	793,400.00	-do-
10	RO10-010-510(09)	July 16, 2010	Scholarship Allowance ( 2 <sup>nd</sup> Tranche)	793,400.00	-do-
11	RO10-011-510(09)	July 20, 2010	Efficiency Incentive Bonus	447,400.00	-do-

	ND No.	Date	Nature of Disallowance	Amount	Status
12	RO10-012-510(09)	July 20, 2010	Scholarship Allowance (1st Tranche)	597,400.00	-do-
13	RO10-013-510(09)	July 20, 2010	Family Week Allowance	793,400.00	-do-
14	RO10-014-510(09)	July 20, 2010	Performance Enhancement Incentive	793,400.00	-do-
15	RO10-015-510(09)	July 20, 2010	Calamity Economic Assistance 1	793,400.00	-do-
16	RO10-016-510(09)	July 20, 2010	Calamity Economic Assistance 2	793,400.00	-do-
17	RO10-017-510(09)	July 20, 2010	Corporate Christmas Package	793,400.00	-do-
18	RO10-018-717-1(09)	July 20, 2010	Productivity Incentive Bonus 2	695,400.00	-do-
19	RO10-019-510(09)	July 20, 2010	Additional Educational Allowance	622,000.00	-do-
20	RO10-020-883-3(09)	July 22, 2010	Health & Wellness Allowance	150,000.00	-do-
21	RO10-021-717-1(09)	July 20, 2010	Productivity Incentive Bonus 3	793,400.00	-do-
22	RO10-022-510(09)	July 22, 2010	Rate Rebasing Additional	447,400.00	-do-
23	RO10-023-510(09)	July 22, 2010	RATA Differential	756,000.00	-do-
24	RO10-024-719-3(09)	July 22, 2010	Privatization Anniversary Bonus 1	597,400.00	-do-
25	RO10-025-719-3(09)	July 22, 2010	Privatization Anniversary Bonus 2 (Additional)	597,400.00	-do-
26	RO10-026-510(09)	July 22, 2010	Performance Bonus	695,400.00	-do-
27	RO10-027-717-1(09)	July 22, 2010	Performance Enhancement Incentive	3,175,426.20	-do-
28	RO10-028-717-1(09)	July 22, 2010	Productivity Incentive Benefit	5,943,527.44	-do-
29	RO10-029-717-1(09)	July 22, 2010	Productivity Incentive Bonus	3,454,313.88	-do-
30	RO10-030-719-1(09)	July 22, 2010	Collective Negotiation Agreement (C N A) Incentive	3,482,425.50	-do-
31	RO10-031-717-1(09)	July 22, 2010	Performance Bonus	3,451,319.10	-do-
32	RO10-032-719-1(09)	July 22, 2010	GOCC Incentive	3,482,425.50	-do-
33	RO10-033-721(09)	July 22, 2010	Hazard Duty Pay- Jan to June 2009	498,000.00	-do-
34	RO10-034-721(09)	July 22, 2010	Hazard Duty Pay- July to Dec 2009	493,800.00	-do-
35	RO10-035-719-1(09)	July 22, 2010	Anniversary Bonus	2,712,493.34	-do-
36	RO10-036-719-1(09)	July 22, 2010	Anniversary (Bigay Pala I)	2,737,201.58	-do-
37	RO10-037-510(09)	July 22, 2010	Rate Rebasing Incentive 1	5,554,413.46	-do-
38	RO10-038-883-4(09)	July 22, 2010	Grocery Incentive Pay 1st Quarter	1,330,000.00	-do-
39	RO10-039-883-4(09)	July 22, 2010	Grocery Incentive Pay 2nd Quarter	1,340,000.00	-do-

	ND No.	Date	Nature of Disallowance	Amount	Status
40	RO10-040-883-4 (09)	July 22, 2010	Grocery Incentive Pay 3rd Quarter	1,350,000.00	-do-
41	RO10-041-883-4 (09)	July 22, 2010	Grocery Incentive Pay 4th Quarter	1,375,000.00	-do-
42	RO10-042-510 (09)	July 22, 2010	Educational Assistance 1	1,513,200.00	-do-
43	RO10-043-510 (09)	July 22, 2010	Rate Rebasing Incentive 2	2,451,400.00	-do-
44	RO10-044-510 (09)	July 22, 2010	Educational Assistance 2	1,519,000.00	-do-
45	RO10-045-510 (09)	October 21, 2010	Productivity Enhancement Pay	3,015,729.40	-do-
46	RO10-046-719-1(09)	October 22, 2010	Corporate Christmas Package	5,554,413.46	-do-
47	RO10-047-717-1(09)	October 08, 2010	Scholarship Allowance (1)	3,392,897.70	-do-
48	RO10-048-719-1(09)	October 08, 2010	Calamity Economic Assistance for CY 2009	3,444,769.20	-do-
49	13-007-RO-(12)	December 03, 2013	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)	December 03, 2013	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)	April 25, 2014	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)	May 21, 2014	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)	May 26, 2014	Welfare Fund CY 2013	1,231,430.82	CGS Cluster-3 Decision No. 2016-18 dated May 31, 2016 With Notice of Finality of Decision from CD dated December 21, 2016
54	15-004-RO-(14)	November 10, 2015	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)	November 10, 2015	Rice Allowance	543,836.41	CGS Cluster-3 Decision No. 2016-38 dated

	ND No.	Date	Nature of Disallowance	Amount	Status
					September 5, 2016  With Notice of Finality of Decision from CD dated December 21, 2016
<b>Total Unsettled Audit Disallowances which are final and executory – MWSS Regulatory Office</b>				<b>91,963,268.95</b>	

**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)	June 06, 2013	Amelioration Allowance	1,991,974.15	COA Decision No. 2015-405 dated December 28, 2015
2	13-002-RO-(12)	June 10, 2013	COLA	7,910,835.98	-do-
3	13-004-RO-(12)	June 10, 2013	Productivity Incentive Bonus CY 2011	3,924,797.50	-do-
4	13-005-RO-(12)	June 10, 2013	RATA CY 2012	4,389,873.84	-do-
5	13-006-RO-(12)	June 10, 2013	Health Insurance	2,940,705.00	-do-
6	14-001-RO-(12)	February 05, 2014	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)	February 11, 2014	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, 2017
8	14-006-RO-(12)	June 10, 2014	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)	June 26, 2014	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)	June 30, 2014	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)	June 27, 2014	Meal Allowance CY 2012	2,278,667.44	CGS Cluster-3 Decision No. 2016-57 dated December 6, 2016

	ND No.	Date	Nature of Disallowance	Amount	Status
12	14-010-RO-(13)	June 27, 2014	Hazard Duty Pay	406,545.17	CGS Cluster-3 Decision No. 2016-57 dated December 6, 2016
13	14-011-RO-(13)	June 27, 2014	Meal Allowance CY 2013	2,022,150.00	CGS Cluster-3 Decision No. 2016-57 dated December 6, 2016
14	14-012-RO-(13)	September 04, 2014	Janitorial Services	770,228.00	CGS Cluster 3 Decision No. 2017-32 dated July 12, 2017
15	14-013-RO-(13)	September 09, 2014	Longevity Pay	1,665,500.00	-do-
16	14-014-RO-(13)	November 12, 2014	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)	November 12, 2014	RATA SG 24 and above	942,166.96	-do-
18	14-016-RO-(13)	December 04, 2014	Security services	1,432,122.36	-do-
19	15-001-RO-(12, 13 & 14)	June 25, 2015	Subsistence - Children's Allowance	117,770.78	CGS Cluster 3 Decision No. 2017-23 dated June 5, 2017
20	15-002-RO-(14)	June 26, 2015	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)	September 29, 2015	Welfare Fund - Government Share (Jan.-June 2012)	559,504.08	CGS Cluster-3 Decision No. 2017-09 dated February 23, 2017  With Petition for Review to CP dated March 9, 2017
22	16-001-RO-(14)	June 07, 2016	Appeal Filing Fee	40,460.00	CGS Cluster 3 Decision No. 2017-42 dated September 13, 2017
23	16-006-05-(15)	September 01, 2016	Tax Penalty	77,491,573.88	CGS Cluster 3 Decision No. 2018-12 dated April 12, 2018
24	16-002-RO-(15)	September 22, 2016	Children's Allowance	13,365.00	CGS Cluster 3 Decision No. 2017-38 dated August 23, 2017
25	17-001-RO-(16)	October 18, 2017	Transportation Allowance	57,312.89	CGS Cluster 3 Decision No. 2018-17 dated May 29, 2018  With Petition for Review to CP dated August 10, 2018
26	18-001-RO-(17)	February 21, 2018	Appeal Filing Fees	28,601.96	CGS-Cluster 3 Decision No. 2018-23  With undated Petition for Review to CP
27	18-002-RO-(17)	April 23, 2018	Various expense accounts	2,186,625.60	CGS-Cluster 3 Decision No. 2018-32 dated November 29, 2018  With Petition for Review to CP dated January 16,

	ND No.	Date	Nature of Disallowance	Amount	Status
					2019
28	18-003-RO-(17)	June 25, 2018	Representation Expenses	659,084.27	CGS Cluster 3 Decision No. 2018-37 dated December 28, 2018
29	18-004-RO-(17)	June 26, 2018	Transportation Allowance	49,142.06	CGS Cluster 3 Decision No. 2018-28 dated September 20, 2018  With Petition for Review to CP dated September 17, 2018
30	18-005-RO-(17)	October 22, 2018	Loans Receivable-MVFP/Housing	25,000,000.00	CGS Cluster 3 Decision No. 2019-04 dated February 8, 2019  With undated Petition for Review to CP
31	18-006-RO-(17)	October 22, 2018	Multi-Purpose Loan Program (MPLP) and Motor Vehicle Financing Program (MVFP)	15,385,059.53	CGS Cluster 3 Decision No. 2019-01 dated January 8, 2019  With undated Petition for Review to CP
<b>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</b>				<b>157,564,016.78</b>	