

**PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT
RECOMMENDATIONS**

Out of the fifteen (15) audit recommendations in prior years, seven (7) were fully implemented, five (5) were partially implemented and three (3) were not implemented which are summarized as follows:

Audit Observations	Recommendations	Ref	Management Action	Status of Implementation	Reasons for Partial/ Non-Implementation
<p>1. The validity and correctness of the disbursements amounting to P3,322,992.57 which was booked up under Construction in Progress – Agency Assets in 2007, could not be established because 15% of which or P509,492.99 represents disbursements with incomplete documentary requirements.</p> <p>Likewise, the propriety of the balance of the account as of year-end totaling P13,447,347.65 remained doubtful due to some documents like Detailed Estimates, Plans and specifications, Final Inspection Report, Certificate of Turn-over and Acceptance which were previously required in CY 2006 COA audit, that management</p>	<p>We recommend that management should submit immediately the necessary documentary requirements to establish the validity and correctness of the disbursements in question, likewise submit the documents required during the previous year's audit in order to ascertain the propriety and reliability of the balance of the account Construction in Progress – Agency Assets as of December 31, 2007 totaling P13,447,347.65.</p>	<p>F-1 CY 2007 AAR</p>	<p>Management submitted Certificate of Project Completion By Administration dated September 30, 2007. The cost of the project as stated in the Certificate is only P7,601,631.50.</p>	<p>Partially Implemented</p>	<p>Management has still to submit other documentary requirements as stated in the audit observation issued particularly the disbursements of P509,492.99. It should be noted that the Certificate of Project Completion submitted was for the project amounting to P7,601,631.50 only, while the account questioned, Construction in Progress- totaled P13,447,347.65. It should be noted also that the FS has no more Construction in Progress account.</p>

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has not submitted yet as of to date.					
2. The liquidity of the balance of Accounts Receivable as of December 31, 2007 amounting to P1,552,200.51 is not reliable because 61% of which or P949,022.43 represents receivables from disconnected services where the probability of collection of the district during the year were not focused on these accounts.	We reiterate the previous year's audit recommendation for the CWD to enforce collection on these accounts. The Administrative Services Section of the WD should be committed in their collection efforts. Likewise, possibilities of inefficiency in the services should also be looked upon in order to pin point the cause of the increasing payment defaults of the concessionaires which ultimately resulted to service disconnections.	F-3 CY 2007 AAR	Management stated in writing "Collection of these accounts were assigned in Customer Section." They further stated that it was fully implemented by sending 3 collection letters. Some had paid and some applied for reconnection.	Partially Implemented	Although management has prepared an Aging Schedule of Receivables, there is no information how much had been collected and those that remained as collectable concerning prior years' receivables.
3. The prescribed accounting journals were not used to record certain transactions contrary to Section 121(2) of Presidential Decree (PD) No. 1445 and the New Government Accounting System (NGAS) Manual for Government-Owned and/or Controlled Corporations (GOCCs), thus verification on the correctness and accuracy of the financial records is not facilitated.	We recommend that the General Manager should require the Acting Accountant to use the appropriate accounting records pursuant to the NGAS Manual for the agency to maintain complete set of books in turn facilitate the verification of the correctness and accuracy of the financial records.	F-1 CY 2013 AAR	The acting accountant, accounting and finance section were instructed to follow the audit recommendations	Fully Implemented	

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<p>4. Twenty-Seven (27) liquidations of cash advances covering travelling expenses of employees and board of directors of the Water District for CY 2013 transactions amounting to P244,395.80 were not documented, reported thru prescribed reports and submitted for audit contrary to Sections 5.1.3, 5.2 and 5.3 of COA Circular No. 97-002 dated February 10, 1997 as well as NGAS Manual for GOCCs thus, the validity at year end of the balances of accounts Due from Officers and Employees (135); Travel Expenses (766); Training and Scholarship Expenses (767) remained not ascertained.</p>	<p>We recommend that the acting accountant should immediately submit for audit all reported liquidations of cash advances covering travels otherwise recorded reductions to the account will remain questionable as to existence, validity and propriety thus proper subjects of either suspension or disallowance during post-audit.</p>	<p>F-2 CY 2013 AAR</p>	<p>Instructed the Acting Accountant to immediately submit liquidations of cash advances for audit.</p>	<p>Fully Implemented.</p>	<p>There is no more unliquidated balance of cash advances in prior years.</p>
<p>5. Sixty (60) Disbursements covering the period from January to December 2013 totaling P1,767,768.64 were found with incomplete supporting documents, contrary to section 4 (6) of PD 1445 hence the validity and propriety of transactions remained not</p>	<p>We recommend that management shall strictly practice payments solely to transactions with complete documentations. This shall be adhered to otherwise transactions will either be suspended or disallowed during post-audit. For the process, a checklist of required documentations per claim shall be used as</p>	<p>F-3 CY 2013 AAR</p>	<p>Instructed the Acting Accountant to follow the audit recommendations and henceforth transactions with incomplete supporting documents will not be processed.</p>	<p>Fully Implemented</p>	<p>For CY 2015 the district's transactions more often has complete documentations to support the claims.</p>

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assured in addition to their being proper subject of either suspension or disallowance during post audit.	guide in the review of transactions by concerned officers before signing/approving any disbursement voucher for payment.				
6. Delay in the submission of CY 2013 accounts for audit was noted contrary to Section 107 of PD 1445 and COA Circular 2009-006 dated September 15, 2009 thus leaving management without notice as to the deficiencies inherent in its administration of government resources.	<p>We recommend for consistent on-time submission of accounts monthly. Furthermore, the hereunder courses of actions shall be carried out; viz:</p> <p>a) Instruct the Head of the Accounting Section to immediately submit all accounts to the Audit Team at its Official Station in COA Regional Office VIII-Water Districts Office.</p> <p>b) Instruct the Cashier and all accountable officers to practice the submission of accounts to the Accounting Section within the reglementary period, the same to be covered with transmittal letters as proof thereof.</p> <p>c) Issue a written policy concerning on time submission of accounts by</p>	F-7 CY 2013 AAR	The district committed to submit the accounts on or before due dates.	Fully Implemented	More often than not the district submitted their accounts on time.

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	<p>the Cashier and all accountable officers to the Accounting Section and from the latter to the Audit Team within the prescribed period.</p>				
<p>7. The Water District paid penalty charges of P238,181.34 as results of failure to pay its monthly amortizations with the Local Water Utilities Administration (LWUA) contrary to the executed Financial Agreement Contracts, thus, showing incurrence of unnecessary expenses without corresponding benefit to the government.</p>	<p>We recommend that the District should</p> <ol style="list-style-type: none"> 1. Justify for the arrearages incurred in the monthly amortizations; 2. Henceforth pay religiously the monthly amortization of their loans to LWUA to avoid payment of penalty charges and; 3. Make representation with LWUA for: <ol style="list-style-type: none"> a) the forfeiture of penalties considering such circumstances as need for a moratorium due to the effects of super typhoon Yolanda and the slow generation of funds out of water sales, among others; b) re-assessment of interest rates for validity of their possible reduction according to rate 	<p>F-1 CY 2014 AAR</p>	<p>The General Manager of the water commented thus:</p> <ol style="list-style-type: none"> a. Two days before super typhoon Yolanda hit Region VIII on November 2013, supply of electricity in the entire Region VIII was totally cut-off resulting to water supply interruption in the locality of Catarman since the district had no standby power for the electric-driven submersible pump and motor. This electricity interruption lasted for more than 	<p>Partially Implemented</p>	<p>The District is trying to pay its obligations from LWUA although not on a monthly basis.</p>

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	<p>and the period they may become effective taking into consideration certain factors like the prevailing rates at the market, the problems faced by the water district during project implementation and the resulting slow generation of income thereafter.</p>		<p>two months.</p> <p>b. Considering that electric supply was interrupted for more than two months, interruption of water supply to the concessionaires likewise occurred, thus causing the non-issuance of water bills particularly for zero consumption and the other is based on consumption per cubic meter actual water rate. This low collection affected the operation of the district.</p> <p>After the declaration of Energy Secretary Petilla that the electricity will be restored in Region VIII but the undertaking will last for six (6) months due to the electric system damaged</p>		

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			<p>by super typhoon Yolanda, the CWD Board of Directors decided to purchase/loan generating sets from known qualified supplier in order to supply water to its concessionaires.</p> <p>d. After the CWD decided to purchase generating sets as standby power for its pumping stations, the remaining funds of Catarman Water District were allocated to purchase such generating sets. The CWD BOD approved and submitted resolution to LWUA requesting for the moratorium of payments of loans for six (6) months including fines and penalties on December, 2013.</p> <p>e. LWUA</p>		

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			<p>Management Advisor Ms. Charie B. Ruiz verbally notified this office that our request for moratorium of payment had been processed by LWUA and it will be approved as soon as possible.</p> <p>f. This office did not receive the disapproval of our request for moratorium until this present thus this office assumed that our moratorium for payment of loans had been approved.</p>		
<p>8. The current portion of the Long Term Loans Payable of P2,461,200.00 remained reflected as part thereof thus affecting the accuracy of the pertinent liability account per the agency's books and its financial statements contrary to Section 111 of Presidential Decree (PD) 1445.</p>	<p>We recommend that the designated Bookkeeper present amortization for the next twelve months by preparing a reclassification entry at every year-end.</p>	<p>F-2 CY 2014 AAR</p>	<p>For CY 2015, the Current Portion of the Long Term Loans was already presented but the amount represents the unpaid balance in CY 2014.</p>	<p>Partially Implemented.</p>	<p>For CY 2015, the Current Portion did not include the monthly amortizations for CY 2016.</p>

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<p>9. Certain procurements of the agency were not in adherence to modes prescribed under Republic Act (RA) 9184 and its Revised Implementing Rules and Regulations (IRR) thus are doubtful as to validity.</p> <p>a. The agency's procurement totaling P1,073,268.54 was not done thru public bidding contrary to the pertinent provisions of Republic Act (RA) No. 9184, hence the processes undertaken may not be valid whereas the prices obtained as results are not assured most advantageous to the government.</p> <p>b. Common-use supplies and materials totaling P71,918.04 were not purchased in the Procurement Service of the Department of Budget and Management (PS-DBM) but directly from other suppliers thru the alternative mode</p>	<p>We recommend for management to strictly comply with the mandated processes and documentations concerning procurements.</p> <p>We recommend for management that in all procurements it shall strictly (i) adhere with relevant rules and law; and (ii) in the case of procurement of commonly used office supplies, prior recourse shall be initially made from the PS-DBM and in the absence of good and of quality stocks,</p>	<p>F 3 CY 2014 AAR</p>	<p>The General Manager commented that their modes of procurement were done either through shopping or emergency purchase considering the amount and the exigency of the service. Moreover they had limited funds as the national government does not give the agency subsidy. They assured though that the prices obtained were advantageous to the government since canvass had been done and purchased were from the lowest bidder. Nevertheless, the General Manager committed to adhere to the recommendation s.</p> <p>The General Manager committed to procure their commonly-use</p>	<p>Not implemented</p> <p>Partially Implemented</p>	<p>Management still did not conduct public bidding as the general mode of recruitment.</p> <p>Some of its procurement of common use supplies are still made through Shopping.</p>

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<p>of "Shopping" contrary to Section 52.1 of Rule XVI of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) 9184, thus the transactions are not assured to be at prices most advantageous to the government.</p>	<p>shall proceed to dealing with other bonafide suppliers. Under the latter process, management shall insure that procurement documents will include proof of reliance with PS-DBM such as Price Quotation and Good Stocks Availability Certification.</p>		<p>supplies from the PS-DBM located in their locality</p>		
<p>10. Cash Advances for the payment of salaries, wages and other benefits of personnel amounting to P2,359,130.77 were either directly recorded as expense or to the account Due to Officers and Employees thus resulting in misstatements of affected accounts per the agency's books and financial statements in turn concealed accountabilities of personnel on the released funds contrary to Section 112 of PD 1445 and other relevant COA rules.</p>	<p>We recommend strict observance of proper accounting practice in recording transactions particularly concerning releases of cash advances and for records to accurately reflect accountabilities as results thereof. Specifically, all erroneous recording must be duly adjusted thru the drawing of Journal Entry Vouchers the same to duly registered in the ledgers, with each concerned personnel to be provided with subsidiary accounts as basis in the monitoring of unsettled cash advances.</p>	<p>F-4 CY 2014 AAR</p>		<p>Fully Implemented.</p>	

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11. Disbursements for non-public purpose and those not consistent to laws and rules were practiced like in the instance of grant of financial assistance for a bereaved family, thus, if continually opted will exhaust funds absent any benefit to the government.	We recommend for management to avoid spending of funds for invalid as well as irregular purposes.	F-5 CY 2014 AAR	The General Manager commented that henceforth they will adhere to the recommendations regarding disbursement of funds only for public purpose.	Fully Implemented.	
12. Rice allowance amounting to P40,000 was paid to five (5) regular employees who were hired after July 1, 1989 contrary to the provisions of COA Resolution 2004-006, Section 12 of Republic Act (RA) No. 6758, paragraphs 5.4 and 5.5 of Department of Budget and Management (DBM) Corporate Compensation Circular No. 10 and Item II of COA Circular No. 2013-003 thus, resulting in invalid expenditures.	We recommend that the General Manager discontinue the grant of rice allowance to personnel who were not yet incumbents as of July 1, 1989.	F-6 CY 2014 AAR	Management committed that the Water District will strictly adhere to the recommendation to refrain from disbursing allowances without sufficient legal basis.	Fully Implemented	
13. Management did not prepare a plan nor provide budgetary allocations for Gender and Development (GAD) and neither present disbursements for projects/program/activities that are related to it contrary	We recommend for management to enforce GAD as one of the priority during future operations. This shall be initially done through, among others, the identification of a focal person to lead in the carrying out of required procedures commencing with the	F-7 CY 2014 AAR	The General Manager commented thus: Almost all of the Catarman Water District permanent employees were sent to training regarding GAD	Not Implemented	No GAD Plan yet

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<p>to Sec. 33 of R.A. 10633 or the General Appropriations Act for CY 2014, thus failed in contributing towards the successful attainment of the objectives of the program.</p>	<p>formulation of plan, giving notice on provision of budgetary allocations and submission of other documentary requirements prior to, during and after the accomplishment of the projects/programs/activities under GAD.</p>		<p>awareness and programs conducted by Civil Service Commission in Tacloban City so that they will be aware of GAD rules and development. Employees union was organized but sad to say after the training, no one submitted their plans and programs. An educational tour was done so that regular staff may become aware of GAD programs in the other water district.</p> <p>Accordingly, the management is now fully aware that GAD plans and budget must be incorporated in the annual budget and assured the implementation of the program during its future operations.</p>		
<p>14. The correctness and reliability of the Cash in Bank account balance of P504,473.35 at</p>	<p>We recommend that the Accounting Division be directed to submit regularly for audit the Bank</p>	<p>F-8 CY 2014 AAR</p>	<p>No data on management action taken was submitted.</p>	<p>Not Implemented</p>	<p>The District still did not prepare Bank Reconciliation Statements.</p>

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<p>year-end could not be ascertained as accurate due to non-submission of bank reconciliation statements contrary to Section 74 of PD 1445.</p>	<p>Reconciliation Statements for all accounts maintained with the depository banks on a monthly basis.</p>				

PART IV – ANNEXES

Annex A – Disbursements for Supplies Inventory

Annex B – Summary of Fuel, Oil and Lubricants Purchased during CY 2015


Catarman Water District, Catarman Northern Samar
CY 2015 Disbursements for Supplies Inventory

Date	Check No.	Fuel, Oil & Lubricants	Chlorine	Supplies and Materials	TOTAL
1/6/15	1272866			2,100.00	2,100.00
1/8/15	1272873	63,027.41			63,027.41
1/21/15	1272888	75,963.00			75,963.00
1/26/15	1272890	35,793.93			35,793.93
1/28/15	1272895		32,178.57		32,178.57
2/3/15	1340110			3,592.84	3,592.84
2/9/15	1340114			10,000.00	10,000.00
2/9/15	1340116	47,122.20			47,122.20
2/9/15	1340124			2,536.32	2,536.32
3/5/15	1340164		32,178.57		32,178.57
3/12/15	1340169	22,083.96			22,083.96
4/1/15	1339803		32,178.57		32,178.57
4/23/15	1339825	6,331.61			6,331.61
4/23/15	1339826		32,178.57		32,178.57
4/30/15	1339838			20,000.00	20,000.00
5/6/15	1339853			1,560.00	1,560.00
5/19/15	1339867	9,786.07			9,786.07
5/22/15	1339873		32,178.57		32,178.57
6/18/15	1339918	15,095.54			15,095.54
6/24/15	1339922			30,512.85	30,512.85
7/16/15	1339959		32,178.57		32,178.57
8/18/15	1340001	15,712.61			15,712.61
10/26/15	1340091		24,228.57		24,228.57
TOTAL		290,916.33	217,299.99	70,302.01	578,518.33

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Catarman Water District, Catarman, Northern, Samar
Summary of Fuel, Oil and Lubricants Purchased during CY 2015

Date	Check No.	Diesel		Oil & Lubricants		Remarks
		Qty (in liters)	Total Cost	Qty (in liters)	Total Cost	
1/8/15	1272873	1,530	P60,255.00	28	P6,340.00	No Purchase Request, Purchase Order, Inspection and Acceptance Report, Certificate of Availability of Funds, Price Quotations and BAC Resolution
1/21/15	1272888	1,630	70,905.00	24	5,058.00	- same -
1/26/15	1272890	1,000	37,820.00			- same -
2/9/15	1340116	1,430	47,439.50	10	2,350.00	- same -
3/12/15	1340169	720	23,344.00			BAC Resolution is not approved by the HOPE
4/23/15	1339825	200	6,690.00	8	1,880.00	No Purchase Request, Purchase Order, Inspection and Acceptance Report, Certificate of Availability of Funds, and Price Quotations
5/19/15	1339867	200	6,580.00	16	3,760.00	No Purchase Request, Purchase Order, Inspection and Acceptance Report, Certificate of Availability of Funds, and Price Quotations

Date	Check No.	Diesel		Oil & Lubricants		Remarks
		Qty (in liters)	Total Cost	Qty (in liters)	Total Cost	
6/18/15	1339918	400	14,070.00	8	1,880.00	No Certificate of Availability of Funds, and Price Quotations
8/18/15	1340001	430	15,712.61			No Certificate of Availability of Funds, and Price Quotations
TOTAL		7,540	P282,816.11		P21,268.00	

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