

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the 57 audit recommendations embodied in prior year's Annual Audit Report, 24 were implemented, 7 were partially implemented and 26 were not implemented as shown in the following table:

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
A.1 Current Year's Audit Observations and Recommendations			
A.1.1 MWSS - Corporate Office			
CY 2012 AAR A.1.1.1 Page 34	<p>1. No physical inventory was conducted for certain items under the Property, Plant and Equipment (PPE) amounting to P8.80 billion or 14% of the year-end balance of the PPE of P63.23 billion (with a net book value of P24.27 billion and net of Land), thus their existence and accuracy were not ascertained.</p> <p>For Land account, unreconciled discrepancy was noted between the inventory report and the books of accounts, with the books higher by P 4.84 billion. Management informed they will continue with the inventory taking and will exert all efforts to effect the adjustments gathered during the inventory taking.</p>	Take immediate action on the conduct of complete physical inventory of all PPE and on the reconciliation of the same with accounting records.	<p><i>Partially implemented.</i></p> <p><i>Physical inventory for PPE was completed. Reconciliation is still in progress.</i></p> <p><i>Partial adjustments were made for Land account.</i></p> <p><i>For General and Administrative Equipment (GAE), out of the P1.416B unreconciled balance as of December 31, 2012, P659.49M or 51% remained unreconciled.</i></p> <p><i>The finding was initially reported in CY 2000 and thereafter.</i></p> <p><i>Reiterated in Comments and Observations No. C.1.2</i></p>
CY 2012 AAR	2. MWSS-CO failed to collect from the	In view of the	<i>Fully Implemented</i> <i>The finding was initially</i>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
<p>A.1.1.2 Page 37</p>	<p>Concessionaires (MWCI) the accumulated rentals estimated at Php 161.23 million arising for the use by the latter as stockyard of the 36,000 sqm Not-In-Service (NIS) Land in the San Juan Reservoir and Aqueduct Complex since March 2006 to date, pursuant to Section A.1.2 of MWSS Board Resolution No. 106-90, known as the "Guidelines/Procedures for the Allocation of MWSS Fixed Assets, Equipment and Inventory of Construction Materials in the books of the Accounting Department as of December 31, 1996", which provides that NIS Land is to remain with MWSS to be sold or leased. Management classified the said property "as not-in-service" and has issued demand letters for the payment of lease from MWCI.</p> <p>The latter has taken the position, as stated in its letter dated 1 August</p>	<p>contention of MWCI contained in its letter dated August 1, 2006 that the said land formed part of the operating assets turned over to MWCI per the Concession Agreement, take immediate and appropriate action to resolve the issue with the Concessionaire in accordance with the Concession Agreement.</p> <p>Should MWCI maintain its position of not paying the rental fee, take legal action to demand and collect from MWCI the lease for the use of the 36,000 sq.m. land in the San Juan Reservoir and Aqueduct Complex in N. Domingo, San Juan City, Metro Manila.</p>	<p><i>reported in CY 2012.</i></p> <p><i>Partially Implemented</i></p> <p><i>Management informed that on December 4, 2013 the MWSS Regulatory Office informed Manila Water Co. of its intention to hold a fact finding/conciliatory conference with both MWSS CO and MWCI to thresh out the details of the parties respective claims on the San Juan Reservoir issue.</i></p> <p><i>The finding was initially reported in CY 2012</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	<p>2006, that the said property formed part of the operating assets turned-over to MWCI under the Concession Agreement.</p>		
<p>CY 2012 AAR A.1.1.3 Page 43</p>	<p>3. MWSS allowed the installation of Telecom Towers by the Concessionaire of the East Zone (MWCI) in its properties located in (a) San Juan-Mandaluyong Business Area (12 sqm), (b) Pasig Pumping Station area (225 sqm), and (c) Main Warehouse lot in Balara (300 sqm), to its detriment for the following reasons:</p> <p>The donor of the Land where MWCI San Juan-Mandaluyong Business Area is located may question the installation of the Telecom Towers in view of the provision in the land title that the lot shall be used for the main purpose relating to waterworks and sewerage system; The Agreement was executed by and between MWCI and Globe, instead of between MWSS,</p>	<p>For the San Juan-Mandaluyong Business Area, require the MWCI to remove the Globe telecommunication s equipment form the area; and</p> <p>For the other two lots, require the MWCI to terminate the lease agreements with the Globe Telecom Inc., and offer the same for lease thru public bidding.</p>	<p><i>Fully implemented.</i></p> <p><i>The Property Management Department inspected and confirmed the removal of the Globe Telecom Tower in United Mandaluyong on May 9, 2014.</i></p> <p><i>The finding was initially reported in CY 2005.</i></p> <p><i>Partially Implemented. The Bids and Award Committee has started to create the Technical Working Group on the bidding for the lease of the lots.</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	<p>being the owner of the property and Globe; and</p> <p>The agreed rental rates being collected were not reasonably determined and authorized pursuant to Section 6 of E.O. No. 301, dated 26 July 1987.</p>		
<p>CY 2012 AAR A.1.1.4 Page 46</p>	<p>4. Interest on the P2.250 billion floating rate Bond issuance under the DBP/LBP Club deal Arrangement guaranteed by the National Government booked up under Other Receivables from Maynilad Water Services, Inc. (MWSI) accounts in the amount of P144.342 million as of December 31, 2012 was not recognized by MWSI as its liability to MWSS.</p>	<p>Closely follow up with the OGCC the resolution of the issue as regards the payment of cost of borrowings on the loan agreement between MWSS and BNP Paribas and MWSS and DBP-LBP Club Deal to avoid further possible losses to MWSS; and</p> <p>Comply with the provision of Section 14 of Philippine Accounting Standard 39 on the recognition of a financial asset which provides that an entity shall recognize a financial asset or a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the</p>	<p><i>Fully implemented.</i> Management had written a letter to the OGCC dated February 3, 2014 requesting for the filing of dispute or arbitration against MWSI on the unresolved claims.</p> <p><i>The finding was initially reported in CY 2012</i></p> <p><i>Not Implemented.</i> See related finding in Comments and Observations No. C.1.8</p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
		instrument.	
<p>CY 2012 AAR A.1.1.5 Page 47</p>	<p>5. Collections from the concessionaires in the amount of P140M as of December 31, 2012 for the debt servicing of JBIC/OECF loan for the Angat Water Supply Optimization Project (AWSOP) remained unremitted to either the Bureau of the Treasury or to the foreign lending institution due to the non-resolution of the issue of whether the disbursements for the AWSOP before privatization are to be treated as equity from the National Government, or as a loan as it is the concessionaires who continue to implement the AWSOP after privatization. On the other hand, there was a shortfall P6.715M on collections remitted by the two concessionaires to MWSS for the debt servicing, contrary to Section 6.4 of the Concession Agreement.</p>	<p>Immediately resolve with the Department of Finance and the Bureau of Treasury the issue on whether the disbursements for the AWSOP before privatization recorded as Loan Payable JBIC/OECF in the amount of P140.138 million is to be treated as equity from the National Government or will remain loan as it is the concessionaires who implemented the Project.</p> <p>Should the recorded loan to JBIC/OECF continue to be treated as loan, require the immediate remittance of the amount of P140.138 million to the National Government received from the concessionaire intended for the debt servicing to JBIC/OECF.</p>	<p><i>Not implemented</i></p> <p><i>The finding was initially reported in CY 2012</i></p> <p><i>Reiterated in Comments and Observations No. C.1.4</i></p> <p><i>Not implemented</i></p> <p><i>Reiterated in Comments and Observations No. C.1.4</i></p>
CY 2012	6. Sound internal	Ensure that the	<i>Fully Implemented.</i>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
<p>AAR A.1.1.6 Page 49</p>	<p>control practices were not observed in the handling of income from the Right of Way (ROW) properties, namely: complete control by the Property Management Department over the rental collections; inclusions of negative balances in the Other Receivables – Leased Property Accounts; and absence of lease contracts; thus, allowing opportunities for possible errors and irregularities</p>	<p>incompatible functions are assigned to different offices such that the billing and accounting functions are done by the Finance Department and the monitoring done by the Property Management Department for the collection of rental income.</p> <p>Require the concerned departments to coordinate in the efficient collection of income on ROW leased properties.</p> <p>Take appropriate action to put the lease on ROW properties in proper order by providing each with a contract of lease subject to conditions which Management may deem appropriate.</p>	<p><i>Office Order No. 2013-104 dated 25 October 2013 was issued delineating the functions and roles between Finance and Property Departments. The processes are now being polished to consider as well the recording of the Other Receivables – Leased Properties.</i></p> <p><i>The finding was initially reported in CY 2012</i></p> <p><i>Fully Implemented.</i></p> <p><i>Not Implemented. See Comments and Observations No. C.1.10</i></p>
<p>CY 2012 AAR A.1.1.7 Page 52</p>	<p>7. Rental incomes for the use of ROW properties totalling P1.57 Million were not collected from 96 lessees due to leniency in the collection of rental fees and lack of contract of lease.</p>	<p>Enforce the collection of all rental fees on the use/lease of MWSS properties strictly in accordance with the issued guidelines;</p> <p>Take appropriate action to ensure</p>	<p><i>Not Implemented. The finding was initially reported prior to CY 2000 and thereafter.</i></p> <p><i>See Comments and Observations No. C.1.10</i></p> <p><i>Fully Implemented.</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
		<p>collection of back rentals from those who are continuously occupying the properties and apply sanctions on late payment/s thereof as provided for in the respective original contracts of lease; and</p> <p>Ensure that lease agreements/contracts are renewed prior to expiration and regularly monitor compliance thereof.</p>	<p><i>Not Implemented.</i></p> <p><i>See Comments and Observations No. C.1.10</i></p>
<p>CY 2012 AAR A.1.1.8 Page 55</p>	<p>8. MWSS CO paid Php 2.15 million for the security services of ROW areas that are under the operational responsibilities of the concessionaires, contrary to Article 7 of the Concession Agreement.</p>	<p>Stop the payment of the security services securing the areas under the operational responsibilities of the Concessionaires as required under Article 7 of the Concession Agreement; and</p>	<p><i>Fully Implemented. Management explanation was accepted. Management explained that the areas secured are the Right of Way (ROW) properties that has not been actually turned over to the Common Purpose Facility of the concessionaires. During transition, the ROW still need to be secured to prevent informal settlers from entering the premises. For future payments, Management informed that said information will be reflected in the disbursement vouchers to avoid similar observation</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
		Immediately settle with the Concessionaires the issue on who should provide the security services on Right of Way areas under their operational control to avoid any possible intrusion of informal settlers or possible loss or damage to property.	<p><i>Fully Implemented.. Management explanation as shown above was accepted.</i></p> <p><i>The finding was initially reported in CY 2012</i></p>
CY 2012 AAR A.1.1.9 Page 55	9. Payment of the salaries of the Ipo Watershed workers from the funds provided by the concessionaire as trust fund of MWSS was coursed by the latter through the representatives of the people's organization, and not directly to the workers, contrary to COA Cir 86-248A, hence there was a risk that the actual salaries were not received by the workers.	Strictly comply with the provisions of COA Circular 86-248-A.	<p><i>Fully implemented.</i></p> <p><i>The finding was initially reported in CY 2012</i></p>
CY 2012 AAR A.1.1.10 Page 57	10. MWSS Corporate Office paid Php 0.215 million for 21 students under the Special Program for Employment of Students (SPES) for the year 2012 without complying with the criteria and requirements as	Employ only those students qualified under the SPES program and strictly adhere with the provisions specified under the IRR of R.A. 9547 in order that the objective of the government program may be	<p><i>No similar transaction occurred in CY 2013.</i></p> <p><i>The finding was initially reported in CY 2012</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	provided under the Implementing Rules and Regulations of R.A. 9547, thus, defeating the purpose of the government program.	attained.	
A.1.2 MWSS RO			
CY 2012 AAR A.1.2.1 Page 59	1. Accrual of obligation for Consultancy Services by MWSS-RO in the amount of P88.850M in CY 2012 at year end was not properly documented, as consultancy contracts were signed only in the following year.	Record Liabilities in the books of accounts only when there is a present obligation as a consequence of a binding contract or statutory requirement as defined in paragraph 60 of the Framework for the Preparation and Presentation of Financial Statements for Liabilities and that all obligations be supported with complete documentation as required under the Section 4.6 of P.D. 1445.	<i>Not Implemented.</i> <i>The finding was initially reported in CY 2012.</i> <i>See related Observation and Recommendation No. B.3.1</i>
CY 2012 AAR A.1.2.2 Page 61	2. Loan granted to MWSS-RO Multi-Purpose Cooperative for land development and house construction in the amount of P25M in CY 2005 was not supported	Take initial action to demand MWSS-RO Multi-Purpose Cooperative for the return of the P25.00M loan; or Cause the immediate	<i>Not Implemented</i> <i>Reiterated in Comments and Observations No. C.2.2</i> <i>The finding was initially reported in CY 2012</i>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	by a contract. Moreover, no payment for the loan has been received from the said Cooperative.	submission of the contract between MWSS-RO and MWSS-RO Multi-Purpose Cooperative to support the grant of the loan in compliance with Item 4 of COA Circular No. 97-004.	<i>Not Implemented</i> <i>Reiterated in Comments and Observations No. C.2.2</i>
CY 2012 AAR A.1.2.3 Page 62	3. Actual Extraordinary and Miscellaneous Expense (EME) exceeded the DBM-approved budget by P702,793.	Grant Extraordinary and Miscellaneous Expense only to those entitled to claim such expenditure as prescribed under the GAA.	<i>Not Implemented</i> <i>Reiterated in Comments and Observations No. C.2.2</i> <i>The finding was initially reported in CY 2002 and thereafter. Notice of Disallowance was issued.</i>
CY 2012 AAR A.1.2.4 Page 64	4. Procurement of MWSS-RO equipment and supplies approximately amounting to P0.831M was undertaken without the Annual Procurement Plan as required under Sec. 7 of RA 9184	Comply strictly with Section 7.1 of RA 9184.	<i>Fully implemented</i> <i>The finding was initially reported in CY 2011.</i>
CY 2012 AAR A.1.2.5 Page 64	5. Policy on monetization of leave credits under Sec. 22 of Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book	Strictly comply with the provisions set forth under Section 22 of Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book	<i>Not Implemented</i> <i>Reiterated in Comments and Observations No. C.2.3</i> <i>The finding was initially reported in CY 2007.</i>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	<p>V of Executive Order 292 was not observed, as employees were allowed to monetize their leave credits although their vacation leave credits were less than five days after monetization.</p>	<p>V of Executive Order 292 and CSC MC No. 41, s. 1998.</p>	
A.1.3 Common to MWSS CO and RO			
<p>CY 2012 AAR A.1.3.1 Page 65</p>	<p>1. No public bidding was conducted on the procurement of General Services Contracts in the total amount of P 4.19 million; and payments made were not covered with a contract agreement.</p>	<p>Immediately conduct public bidding in accordance with Section 10, Article IV of R.A. 9184 and its Implementing Rules and Regulations and award a new Contract for the procurement of janitorial services.</p> <p>Subject the said transaction to review to determine the accountability and/or culpability of officials involved in allowing the continuous payment for services rendered on general services contracts not procured through public bidding.</p> <p>We will issue the necessary Notice of Disallowance on the above transactions</p>	<p><i>Fully implemented.</i></p> <p><i>The finding was initially reported in CY 2012</i></p> <p><i>Fully implemented.</i></p> <p>Notice of disallowance as issued.</p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
A.2 Reiteration of Prior Years' Audit Observations and Recommendations			
A.2.1 MWSS Corporate Office			
<p>CY 2012 AAR A.2.1.1 Page 67</p>	<p>1. The subsidiary ledger asset accounts totaling P1.80 billion representing 3% of MWSS' total assets of P53.31 billion (net of allowance for doubtful accounts of P1.64 billion and accumulated depreciation of P38.96 billion) and the subsidiary ledger liability accounts totaling P0.84 billion which was 5% of MWSS' total liabilities of P17.13 billion remained unreconciled with the General Ledger and unverified due to incomplete supporting documents. Hence, the balances of these accounts at year-end were doubtful of validity and accuracy that could overstate or understate the assets and liabilities accounts at year-end.</p>	<p>Facilitate the immediate reconciliation of the various accounts cited pursuant to the provisions of IAS 1 in order that their financial statements will be able to provide the financial users the accurate information about the Agency's financial position, financial performance and cash flows.</p>	<p><i>Partially implemented.</i></p> <p><i>Reiterated in Comments and Observations No. C.1.1</i></p> <p><i>The finding was initially reported in CY 1999 and thereafter.</i></p>
<p>CY 2012 AAR A.2.1.2 Page 72</p>	<p>2. Other Receivables account consisting of Guarantee Deposits, Inventory Held in Trust and</p>	<p>Coordinate with its Concessionaires to undertake the verification and reconciliation of the</p>	<p><i>Partially implemented.</i></p> <p><i>The finding was initially reported in CY 2001.</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	Interest/penalties totaling P490.75 million has been dormant for more than 14 years and the collectability of which was practically nil.	dormant accounts amounting to PhP 490.75 million within an established timeframe.	<i>MWSS billed MWSI and MWCI for the unpaid guarantee deposits, interest/penalties, on the inventory held in trust and Mabuhay vinyl accounts.</i>
CY 2012 AAR A.2.1.3 Page 74	3. The sale of La Mesa Watershed Property of MWSS to its officers and employees was not supported with authority from the Office of the President allocating the subject MWSS Real Property, specifically for the housing of MWSS officers and employees.	Immediate submission of the approval from the Office of the President allocating the subject MWSS Real Property specifically for the housing of MWSS Officers and Employees.	<p><i>Fully implemented.</i></p> <p><i>Management submitted copy of Proclamation No. 1336 dated July 25, 2007 as compliance on the requirement on the submission of approval from the Office of the President. The same was forwarded to COA Cluster 3 CGS requesting legal opinion on the matter on December 2, 2013.</i></p> <p><i>Management also informed in their letter dated October 20, 2013 that they will investigate housing allocation given to people who are not organic MWSS officers and employees at that time.</i></p> <p><i>The finding was initially reported in CY 2007.</i></p>
CY 2012 AAR A.2.1.4 Page 76	4. The 40% share in the net income from La Mesa Ecopark Operation (La Mesa Resort Zone) for CYs 2004-2009 in the amount of P8.33 million had not been	Require the AFI to immediately submit the Annual Financial Reports and remit to MWSS its corresponding share of income as required under	<p><i>Not implemented</i></p> <p><i>Reiterated in Comments and Observations No. C.1.9</i></p> <p><i>The finding was initially reported in CY 2011.</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
	<p>remitted by the ABS-CBN Foundation Inc. (AFI). Moreover, the share of MWSS for CYs 2010 to 2012 could not be determined due to non-submission of the Annual Financial Report required under Section 11 of the MOA.</p>	<p>Section 11 of the MOA;</p> <p>Clearly designate the stewardship and control of the Environmental Trust Fund to either LMEB or LMRZ-EC;</p> <p>Create the LMRZ-EC that will formulate policies regarding the LMRZ aside from other functions and responsibilities stated in the MOA. Upon creation, members of said body should convene regularly to address and assess the operations and concern of the LMRZ/La Mesa Ecopark.</p> <p>Comply with the provisions of Section 6 of the MOA in order to maintain sound internal controls by opening an account in the name of the three (3) contracting parties; and ensure that all transactions have been authorized with the consent of MWSS representative;</p> <p>Require post facto</p>	<p><i>Not implemented</i></p> <p><i>Reiterated in Comments and Observations No. C.1.9</i></p> <p><i>Not implemented</i></p> <p><i>Reiterated in Comments and Observations No. C.1.9</i></p> <p><i>Not implemented</i></p> <p><i>Reiterated in Comments and Observations No. C.1.9</i></p> <p><i>Not implemented</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
		<p>approval and ratification of the MOA to enable the Agreement to be fully effective, otherwise, the MOA could be considered null and void; and</p> <p>Seek the approval of the 15% management fee being charged by the AFI from the MWSS Board on order to comply with Section 1.1 of the MOA</p>	<p><i>Reiterated in Comments and Observations No. C.1.9</i></p> <p><i>Not implemented</i></p> <p><i>Reiterated in Comments and Observations No. C.1.9</i></p>
<p>CY 2012 AAR A.2.1.5 Page 78</p>	<p>5. Hiring of consultants was done without public bidding in violation of Section 10 of the IRR of RA 9184. Also, the number of consultants employed exceeded the required number of consultants.</p>	<p>All contracts for hiring of consultants serviced entered into by Management which are not in accordance with the conditions imposed by GCG and DBM be terminated immediately. The remaining works being contemplated by Management in the hiring of the current Consultants cannot be compromised against the legal issues attendant to their hiring. As regards the legal and related issues consequent to the hiring of current</p>	<p><i>Fully implemented.</i></p> <p><i>The contracts of consultants up to August 2013 were no longer renewed</i></p> <p><i>The finding was initially reported in CY 2008 and reported back in CY 2011</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
		<p>consultants, they shall be left to the final decision of the Office of the Ombudsman which is presently conducting investigation on the matter.</p> <p>Strictly adhere to the prevailing rules and regulations on the hiring of consultants under R.A. 9184 and its Revised IRR and with the other conditions enumerated in the GCG Memorandum Order Nos. 2012-20 and 2012-38 dated October 29, 2012 and November 29, 2012 respectively.</p>	<p><i>Fully implemented.</i></p> <p><i>The contracts of consultants up to August 2013 were no longer renewed</i></p>
<p>CY 2012 AAR A.2.1.6 Page 92</p>	<p>6. The existence and accuracy of the year-end balance of Cash-in-Bank in the amount of P 24.49 million could not be ascertained due to un-reconciled difference of P 4.14 million between the balance per books and balance per bank. Some reconciling items amounting to P4.12 million have been existing for over a year to 12 years.</p>	<p>Effect the necessary adjustments in the books of the reconciling items in order to arrive at the correct cash balance at the year end, giving priority to reconciling items appearing in the bank reconciliation statements over the years.</p>	<p><i>Partially implemented</i></p> <p><i>Reiterated in Comments and Observations No. C.1.11</i></p> <p><i>The finding was initially reported in CY 1999.</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
CY 2012 AAR A.2.1.7 Page 94	7. Gender and Development Plans were not implemented. However, it allotted P 120,000 of 0.004% of the required GAD budget of P 146 million, of which P20,000 was spent for Physical and Mental Fitness Program.	Strictly comply with the requirements set forth under the Joint Circular No. 2004-1 as superseded by Joint Circular No. 2012-01 which will take effect beginning 2013 for the GAD planning and budgeting process of FY 2014 and the ensuing years until repealed and Section 28 of GAA 2012.	<i>Not Implemented</i> <i>Reiterated in Comments and Observations No. C.3.5</i> <i>The finding was initially reported in CY 2007.</i>
A.2.2 Common to MWSS Corporate and Regulatory Offices			
CY 2012 AAR A.2.2.1 Page 95	1. The balance of the reciprocal accounts between MWSS Corporate Office and the Regulatory Office in the amount of P1.35 billion and P640 million respectively remained unreconciled with the asset accounts higher than liability accounts by P713 million due to unresolved issues on the sharing of income and expenses. As a result, no elimination of these reciprocal accounts was effected in the financial statements for CY 2012.	a. Immediately reconcile the discrepancies between the reciprocal accounts to come up with the valid and reliable balances in the books of both the RO and CO; b. Thereafter, conduct a periodic reconciliation of these accounts and see to it that the balances are always reconciled; c. Ensure that only legitimate and authorized	<i>Not implemented.</i> <i>Reiterated in Comments and Observations No. C.3.1</i> <i>The finding was initially reported in CY 2000.</i> <i>Not implemented.</i> <i>Reiterated in Comments and Observations No. C.3.1</i> <i>Fully Implemented</i> <i>MWSS Board Resolution No. 2014-</i>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
		<p>shared expenses are recorded against RO;</p> <p>d. Submit to the MWSS Board of Trustees a written policy on the type and nature of charges to be made on these reciprocal accounts; and</p> <p>e. Ensure that actual charges to these accounts be approved/acknowledged as valid claims by the authorized official/s of the concerned agencies.</p>	<p><i>041-CO dated April 24, 2014 was issued to finally resolve the COA findings on the reciprocal accounts.</i></p> <p><i>Fully Implemented.</i></p> <p><i>MWSS Board Resolution No. 2014-041-CO dated April 24, 2014 was issued to finally resolve the COA findings on the reciprocal accounts.</i></p> <p><i>Fully Implemented.</i></p> <p><i>MWSS Board Resolution No. 2014-041-CO dated April 24, 2014 was issued to finally resolve the COA findings on the reciprocal accounts.</i></p>
<p>CY 2012 AAR A.2.2.2 Page 98</p>	<p>2. MWSS paid P51.91 million to its officials and employees for allowances and other benefits and booked up payables/obligations of P0.38 million for the same for the month of December 2012 without the required approval or confirmation from the Office of the President, resulting in excess of actual expenditures over the DBM-approved Corporate Operating</p>	<p>Obtain confirmation or post facto approval from the Office of the President for the said allowances for CY 2012 and previous years as indicated in the COB.</p>	<p><i>Partially implemented.</i></p> <p><i>The finding was initially reported in CY 1999.</i></p> <p><i>Reiterated in Comments and Observations No. C.3.3</i></p> <p><i>Notices of disallowances were issued on the various allowances granted in CY 2012.</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
<p>CY 2012 AAR A.2.2.3 Page 101</p>	<p>Budget.</p> <p>3. Representation and Transportation Allowance (RATA) in excess of GAA authorized rates and positions were continuously granted to MWSS-CO to officials and employees of MWSS in the amount of P13.10 million.</p>	<p>Discontinue the computation of RATA based on LOI 97 and apply the rates authorized under the GAA and stop the grant of RATA to employees who do not fall under any of the enumerated positions entitled to RATA in the GAA.</p>	<p><i>Fully implemented.</i></p> <p><i>The finding was initially reported in CY 1999.</i></p> <p><i>Grant of RATA was stopped effective August 2013.</i></p> <p><i>Notice of disallowance was issued.</i></p>
<p>CY 2012 AAR A.2.2.4 Page 106</p>	<p>4. MWSS paid P9.86 million for the procurement of private health insurance of its employees for the period March 18, 2011 to June 17, 2013 contrary to COA Resolution No. 2005-001.</p>	<p>Comply strictly with COA Resolution No. 2005-001.</p>	<p><i>Fully implemented.</i></p> <p><i>Grant of health insurance was stopped effective June 18, 2013.</i></p> <p><i>Notice of disallowance was issued.</i></p>
<p>CY 2012 AAR A.2.2.5 Page 109</p>	<p>5. No approval or confirmation by the Office of the President was obtained for the gradual increase in the System's share of the Welfare Fund from 5% to 35% which were effected in 1999, 2005, 2006 and 2009.</p>	<p>a. Expedite the request for post-facto approval/confirmation from the Office of the President for the increase of the government share from January 2009 to September 2012; and in case of non-approval/non-confirmation, hold the officials concerned liable for the</p>	<p><i>Not Implemented</i></p> <p><i>The finding was initially reported in CY 1999.</i></p> <p><i>Notices of Disallowance Nos. 14-004-04 (13) and 14-006-RO (13) both dated May 26, 2014 were issued.</i></p> <p><i>Reiterated under Comments & Observation No. C.3.3</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
		<p>unauthorized increases; and</p> <p>b. Ensure that members who will withdraw or resign from the Welfare Fund will only be paid the amounts corresponding to the employer's share as authorized and approved by the OP/DBM.</p>	<p><i>Not Implemented</i></p> <p><i>Notices of Disallowance Nos. 14-004-04 (13) and 14-006-RO (13) both dated May 26, 2014 were issued.</i></p>
<p>CY 2012 AAR A.2.2.6 Page 110</p>	<p>6. The payment of CNA Incentive to the officials and employees in the total amount of P6 million was not supported with documents showing proof of compliance with the guidelines under Section 3 of DBM Budget Circular No. 2011-5.</p>	<p>Submit the necessary documents to show proof that the payment of CNA Incentive was in accordance with the provisions of DBM Budget Circular No. 2011-5 dated December 26, 2011.</p>	<p><i>Implemented for CY 2012.</i></p> <p><i>See related Comments and Observations No. C.3.4 for CY 2013.</i></p>
<p>CY 2012 AAR A.2.2.7 Page 111</p>	<p>7. The actual expenditures for Personal Services (PS) and Maintenance and Other Operating Expenses (MOOE) for CY 2012 exceeded the DBM Approved COB by P121.43 million, contrary to Section 4(1) of PD 1445.</p>	<p>a. Incur expenditures within the limits of the DBM-approved budget as required under Section 4(1) of PD 1445 and that the granting of benefits without proper authority should be stopped; and</p> <p>b. Submit the</p>	<p><i>Not implemented.</i></p> <p><i>The finding was initially reported in CY 2010.</i></p> <p><i>Reiterated in Comments and Observations No. C.3.3</i></p> <p><i>Not implemented.</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
		<p>Corporate Operating Budget to the DBM before its budget execution in compliance with Section 6, Part II of Executive Order No. 518</p>	<p><i>Reiterated in Comments and Observations No. C.3.3</i></p>
<p>CY 2012 AAR A.2.2.8 Page 112</p>	<p>8. Deficiencies were noted in the handling and liquidation of cash advances with year end balance of P628,592.</p>	<p><i>For MWSS CO/RO -</i></p> <p>a. Exert all efforts to have all these outstanding cash advances liquidated immediately;</p> <p><i>For MWSS RO -</i></p> <p>b. Require the Accountable Officer to record all her transactions in a cashbook, footed and closed at the end of each month</p> <p>c. Require the Accountable Officer to keep her cash advances in the vault/safe receptacle and</p>	<p><i>Not implemented.</i></p> <p><i>The finding was initially reported in CY 1997.</i></p> <p><i>Sworn affidavits were submitted to the Office of the Ombudsman and the Director, Fraud Audit Office, COA on February 19, 2014 for investigation/filing of cases against accountable officers.</i></p> <p><i>Fully Implemented.</i></p> <p><i>Fully implemented.</i></p>

Reference	Audit Observation	Audit Recommendation	Action Taken/Comments of Management
		<p>not to deposit the same in her personal account; and</p> <p>d. Designate an SDO other than the Accountable Officer who has no access/control over recording/accounting of the financial transactions of the MWSS-RO, as control of the accounting records and financial operations should be the responsibility of different individuals in order to promote a sound internal control.</p>	<p><i>Not Implemented. Reiterated in Comments and Observations No C.2.1</i></p>