

**AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION (AAPSI)**
Audit Observations and Recommendations
For Calendar Year 2015
As of 31 December 2016

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Reasons for Partial/Delay/Non-implementation, if applicable	Action Taken/Actions to be Taken	
			Action Plan	Person/Dept. Responsible	Target Implementation Date				Status of Implementation ¹
					From	To			
A.1 CURRENT YEAR'S AUDIT OBSERVATIONS AND RECOMMENDATIONS- MWSS CORPORATE OFFICE (CO)									
1. (COA AAR CY 2015) (pages 46- 51)	The year-end balance of Appraisal Capital Stock and the carrying value of Property, Plant and Equipment (PPE) amounting P36.383 billion and P46.251 billion, respectively, comprising 62 percent and 79 percent of total assets, were found unreliable due to: a. Non-conduct of revaluation/appraisal of PPE in CY 2015 as required in PAS 16 and COA Resolution 89-16: as a result of which, necessary adjustments regarding several transactions recorded in the PPE and Appraisal Capital Stock (Revaluation Surplus) accounts which were not determined; b. Failure to effect realization (recognition) of revaluation surplus to Retained Earnings for disposed PPE and assets still in use after revaluation as required PAS 16; and The net increase arising from change in fair value amounting to P450.484	a. Require the Finance Department to review accounting records, and if warranted effect the transfer of the whole surplus to Retained Earnings for disposed assets stated at revalued amounts and record adjustments to Retained Earnings to recognize piecemeal realization over the remaining life of revalued assets; and	For reclassification to Retained Earnings Revaluation Surplus amounting to P450M.	Finance Department	July 2016	Dec. 2016	On going		
		b. Conduct appraisal/revaluation of all PPE accounts as required under COA Resolution 89-17 and PAS 16.	A Technical Working Group per BAC Order No. 2016-05 dated 20 July 2016 was created to assist the BAC in the procurement process, i.e. preparation of	Property Management Department and Finance Department Bid and Awards Committee	July 2016	Dec. 2016	On going		

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	million in CY 2014 for idle lands recorded as Other Assets which was accounted for as Appraisal Capital Stock (Revaluation Surplus) instead of recognizing the same Retained Earnings.		bidding documents, eligibility screening, evaluation of bids and post qualification of consultant for the valuation/appraisal of MWSS assets. To date preparation of TOR is for finalization. Other documents needed for procurement of appraisal consultant is ongoing.	(BAC)					
2. (COA AAR CY 2015) (pages 51-53)	Real Time Settlement (RTGS) collections received through banks in the aggregate amount of P915.297 million were recorded as debits to Cash Collecting Officer in the Cash Receipts Register and included in the cashbook of the Cashier as part of her cash accountabilities although no actual cash was received by the Cashier. The practice was not in accordance with COA Circular 2004-008, requiring the Cash Collecting Officer account be debited for actual collections received for deposit to authorized government depository banks.	a. Require the Accounting Office to record the RTGS collections by directly debiting the Cash in Bank account instead of the Cash Collecting Officer account and crediting the appropriate AR/Income account; b. Monitor the online transactions of the bank account where RTGS collections are deposited to avoid delay in the issuance of ORs;	The correct journal entry is being used in the collection of RTGS. The Treasury Section is closely monitoring RTGS collections.	Finance Department Finance Department	Jan. 2016 Jan. 2016	Dec. 2016 Dec. 2016	Implemented Implemented		

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		c. Instruct the Cashier to record the RTGS collections in another cash register and not in her cashbook for regular collections; and identify also in the RAAF the ORs issued for RTGS.	A separate Cash register is used solely to record RTGS collections. The Cashbook is used for regular collections.	Finance Department	Feb. 2016	Dec. 2016	Implemented		
3. (COA AAR CY 2015) (pages 53-55)	MWSS, as withholding agent under Section 251 of the National Internal Revenue Code (NIRC), paid a penalty equivalent to the basic tax assessed in CY 2009 amounting to P77.492 million due to the failure of the concerned MWSS officials and employees to withhold tax from employees' additional allowances and benefits and to remit the same to the BIR.	Management endorse to the BIR the filing of the appropriate legal action against those persons responsible and duty-bound to deduct, withhold and remit taxes in accordance with the penalty provisions of Section VII C of BIR Revenue Memorandum Order No. 23-2014, furnishing this Office with copy of the endorsement letter to BIR.	ND No 16-006-05-(15) dated 31 August 2016 and Supplemental to this ND for additional liable persons were issued by COA and Appeal are being prepared by liable persons for submission before the due date. All liable persons not connected with the Office were also furnished their copies for filing of Appeal to COA.	Finance/ AGSD/ Legal Department		Jan. 2017	For implementation		
4. (COA AAR CY 2015) (pages 55-56)	Land Improvements were recorded as Other Structures, resulting in the misstatement of the accounts, Lang, other Structures and Retained Earnings by P73.430 million, P7.701 million and P65.730 million, respectively.	That Management review and analyze its accounting records on the proper classification of the subject assets in accordance with accounting rules and regulations and thereafter, effect the necessary accounting adjustments.	Proper reclassification of accounts will be effected for the adjustments. JEV 2016-12-004133 was prepared to reclassify Land	Finance	July 2016	Dec. 2016	Ongoing		

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			Development Cost erroneously classified to PPE-Other Structures instead of PPE-Land.						
5. (COA AAR CY 2015) (pages 57-58)	Disallowances with issued Notice of Finality of Decision (NFD) and COA Order of Execution (COE) totaling P8.762 million were not recorded as Receivables, contrary to Section 22.6 of COA Circular 2009-006. Moreover, Management had not taken any action to enforce settlement of the COE from the person liable.	a.Require the Finance Department to record as receivables in the books of accounts the NFDs received pursuant to Section 22.6 of COA Circular 2009-006; and b.Enforce settlement of the COE from the person liable	Collate documents on the breakdown of the persons liable for recording in the books as receivables. Discuss with the Management on the best option for the settlement of the COE.	Finance	July 2016	Dec. 2016	For implementation		
6. (COA AAR CY 2015) (pages 58-60)	Loss on foreign exchange was overstated by P7.933 million due to: (a) failure to recognize FOREX gain/ (loss) totaling P7.625 million rising from the payment of loan payable on each settlement date; and (b) the overstatement of loss on foreign exchange arising from the loan revaluation based on closing rate at the end of the reporting period in the amount of P15.558 million.	a.Immediately reconcile the amount of FOREX gain/ (loss) recognized in the books for CY 2015; and b.Ensure that exchange differences arising in each period up to the date of settlement are properly measured and recognized.	Reconciliation and adjusting entry was taken up per JEV# 2016-07-002766, JEV# 2016-07-002768 - 2771 Revaluation will be done every payment/settlement date of the loans payable.	Finance (Loans)	July 2016	Sept. 2016	Implemented		
					July 2016	Dec. 2016	For implementation		

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7. (COA AAR CY 2015) (pages 60-63)	Noted in the grant and liquidation of cash advances for travel were deficiencies, to wit: a) liquidation of cash advances was beyond the prescribed liquidation period, b) computation of travel expenses of P527,244 was not in accordance with the travel rates prescribed under Section 4 of EO 298, and c) actual claims on hotel accommodation/lodging were not supposed with certification from the Head of the Agency as required under COA Circular 2012-001.	Require the Finance Department to strictly comply with the provisions of EO 298 on the prescribed travel allowance and on the prescribed period within which to liquidate cash advances; and with COA Circular 2012-001 on the documentary requirement in the grant and liquidation of cash advances for travel	The Memorandum for the rules and regulations of travel allowances per EO#298 and liquidation of cash advances was already circulated dated _____ per COA Circular 2012-001.	All departments			Complied Memo was already circulated		
8. (COA AAR CY 2015) (pages 63-66)	MWSS paid cost of water consumed totaling P107,014 for CY 2015 for the two MWSS guest houses much higher when compared to the reported usage. Moreover, rental income collected did not conform to the daily rental rates provided by the Property Management Department.	<p>a. Provide explanation for the payments of water bill for various months which are not proportionate to the reported usage and thereafter, adopt cost-cutting schemes on water consumption of the guesthouses;</p> <p>b. Submit approved policy on the use of guesthouse, charging rate for the use and billing procedures which serve as a guide for efficient and effective usage of the facilities; and</p> <p>c. Ensure that rental income collected for the use of facilities is correct and conforms to the current daily rental rate.</p>	No reply from the AGSD and PMD.	AGSD / PMD					

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A.2 CURRENT YEAR'S AUDIT OBSERVATIONS AND RECOMMENDATIONS- MWSS REGULATORY OFFICE (RO)									
1. (COA AAR CY 2015) (pages 67-69)	Cash amounting to P317.410 million remained idle in the regular current account earning minimal interest of P1.080 million per annum rather than having it invested in high yielding investment in government securities as authorized under Section 2 of Administrative Order No. 173 and Section 17 of DOF Department Order No. 141-95, as amended.	Consider investing its excess or idle cash balance in government issued securities offering high yielding interest rate pursuant to Section 2 of Administrative Order No. 173, Section 17 of DOF Department Order No. 141-95, as amended and Section 3.2.1 of DOF Department Circular No. 1-06.	For RO						
2. (COA AAR CY 2015) (pages 69-70)	MWSS RO maintained bank accounts with the Philippine National Bank, a non-government depository bank, contrary to DOF Department Circular No. 001-2015, as amended.	a. Transfer all government funds from PNB to authorized government banks strictly within the transitory period allowed under DOF Department Circular No. 002-2015; and b. Analyze and resolve immediately the reconciling item "Unaccounted Differences from 2000 to 2008" for PNB MVFP Account before transfer of the fund to other government depository bank.	For RO						
3. (COA AAR CY 2015) (page 70)	Payment of Collective Negotiation Agreement (CNA) Incentive for FY 2015 was erroneously recorded to the Retained Earnings account instead of "Collective Negotiation Agreement" or "Other Benefits," as provided under Section 4.4.4 of DBM Circular No. 2015-2.	Ensure that henceforth, Accounting Office record CNA payments to the account specified in the specific DBM Circular authorizing the grant of CNA.	For RO						

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4. (COA AAR CY 2015) (pages 70-72)	Relevant provisions of the Revised Implementing Rules and Regulation (RIRR) of RA 9184 were not complied with in the procurement of goods, to wit: (1) the issuance of a written invitation to three observers in various stages of the bidding process; (2) the posting of the Notice of Award (NOA) and Notice to Proceed (NTP) in the agency website; and (3) the submission of certification by the BAC Secretariat on the posting of the NOA at a conspicuous place.	a. Invite as observers representatives from the Non-Government Organization (NGO) and duly recognized private sector representative to witness the various stages in procurement procedures, in addition to COA in compliance with Section 13.1 of the IRR of RA 9184;	For RO						
		b. Post in the MWSS RO website and in conspicuous places the NOA and NTP as required under Sections 37.1.6 and 37.4.2 of the RIRR; and	For RO						
		c. Henceforth, include in the contract documents submitted to COA the certification from the BAC Secretariat that the NOA was posted in conspicuous places in MWSS premises.	For RO						
A.3 CURRENT YEAR'S AUDIT OBSERVATIONS AND RECOMMENDATIONS- COMMON TO MWSS CO AND RO									

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1 (COA AAR CY 2015) (pages 72-73)	Documentation requirements for disbursements for janitorial and security services provided under COA Circular No. 2012-001 were not complied with, to wit: Accomplishment Report and Proof of remittance to concerned government agency and/or GOCCs (BIR/Social Security System(SSS/Pag-Ibig), before any payment for Janitorial and Security Services totaling P4.069 million and P25.984 million, respectively.	<p>a. Immediately require the submission by the janitorial and security service providers of the Accomplishment Reports, the Report and Proof of remittance to the concerned government agency and/or GOCCs (BIR/Social Security System (SSS/Pag-Ibig) for the payments made and the affidavit to operate/claim for the period January to March 2015, and submit the same to this Office for audit; otherwise, a Notice of Suspension shall be issued; and</p> <p>b. Henceforth, ensure that the disbursements for janitorial and security services are supported with complete documents under COA Circular 2012-001.</p>	<p>a. Required submission of Proof of Remittance to the concerned government agencies & other documents.</p> <p>b. Ensures that all disbursements are supported with complete documents.</p>	Finance / AGSD			Complied		

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2 (COA AAR CY 2015) (pages 73-77)	Posting errors to the employee's leave cards, erroneous computation of earned leave balances per leave cards, non-compliance with the provision under Section 22 of the Omnibus Rules on Leave requiring five days minimum VL balance prior to the monetization were the deficiencies noted in the monetization of leave balances.	a. Immediately re-compute and reflect the correct leave credit balances of employees who availed of the monetization for CY 2015, and if necessary, retroactively, of all other employees who availed of previous year's monetization;	The HRRMD has already complied with COA recommendation to re-compute the leave credits of MWSS-CO employees. We have likewise initiated the computerization of the employees' leave card.	HR/ IA	July 2016	Dec 2016	70% complied		
		b. Ensure that deduction of leave credits from monetization, addition from leave credits earned and the accumulated leave balances are accurately reflected in the individual leave cards of the employees;							
		c. Institute periodic audit of all employee's accumulated leave prior to approval and payment of their respective monetized leave credits and terminal leave benefits; and							
		d. Require their respective Administrative Department to, henceforth, strictly observe to the provisions of Section 22 of the Omnibus Rules on Leave (CSC Resolution No. 98-3142) and CSC Resolution No. 000034 on the granting and							

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		approval of monetization leave credits.							
B.1 REITERATION OF AUDIT OBSERVATIONS AND RECOMMENDATIONS – MWSS CO									
1. (COA AAR CY 2015) <i>pages 77-80)</i>	Per COA Legal Opinion No. 2016-006 issued on January 12, 2016, MWSS may not validly use Proclamation No. 1336 as basis for the legality of the sale of certain portion of the La Mesa Dam Watershed to its officers and employees, as mere reliance on the said proclamation, without showing other compelling evidence to show that the subject lots may be alienated was not sufficient to support their claim.	Waiting for reply of COA Legal Services Sector	No reply from Legal and Property Management Department.	Legal / PMD					
2. (COA AAR CY 2015) <i>(pages 80-83)</i>	<p>The balance of the Land recorded under PPE and Other Asset accounts as of December 31, 2015 amounting to P20.504 billion was not certain of accuracy due to selective revaluation and reporting of amounts in the financial statements that was a mixture of costs and values as at different dates, contrary to PAS 16.</p> <p>The validity of dropping from the books of accounts and the adjustment to record the difference in the cost of the sale of various Land totaling P267.207 million was not established due to inadequate documentation.</p> <p>The disclosure requirements in the Notes to Financial Statements on the items of PPE stated at revalued amount</p>	<p>We reiterated our prior year's audit recommendations that Management:</p> <p>a. Conduct an independent survey of all land and land rights to determine actual land area and conduct a thorough review and reconciliation of records and observe consistency in financial reporting by recording revaluation for the entire items in the Land account to comply with PAS 16;</p> <p>b. On the adjustments made to the land account totaling P267.207 in CY 2013 and</p>		PMD / Finance		On-going			

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	in the financial statements were not fully complied with as required under PAS 16.	<p>CY 2014-</p> <p>i. For adjustment amounting to P228.18 million, submit proof that there was an appraisal on the land in previous period.</p> <p>ii. For adjustment amounting to 39.03 million.</p> <p>(1) Revert the entry made considering the reason for dropping from the books of accounts was merely due to “typographical error” which is not acceptable in audit; thereafter, prepare reconciliation with accounting records and necessary adjustments; and</p> <p>(2) Secure from Land Registration Authority (LRA) the information on the actual land area to determine the correct total of land sold to Silhouette Trading. Thereafter, analyze the transaction and prepare necessary adjustments; and</p> <p>c. Comply with the disclosure requirements under PAS 16</p>							

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		on items of PPE stated at revalued amounts.							
3. (COA AAR CY 2015) (pages 83-90)	Other Receivables with year-end balance of P5.959 billion was found unreliable due to the inclusion of: a. Costs of borrowings in the amount of P4.334 billion dormant for more than 10 years and its collection remained uncertain due to the pendency of the legal proceedings initiated by MWSS against its Concessionaire; b. Penalty on delayed remittance of Concession fees totaling P1.118 billion; c. Guarantee Deposits recorded as Other Receivables amounting to P120.480 million which were not considered valid claims due to the transfer of customer accounts to the Concessionaires; and d. Other Receivables in the amount of P181.075 million not confirmed by the Concessionaires.	a.Look into the possibility of reclassifying the costs of borrowing of P4.334 billion to the appropriate expense accounts considering the pendency of the local arbitration proceedings for which the realization or collection of the subject claims is virtually uncertain; b.Submit an updated report on the arbitration of the disputed claims with MWSI as reported in the AAPSI; and c.Review and reconcile accounting records to: i. Account for and make necessary adjustments for Other Receivables representing the active customers for which guarantee deposits have been already transferred to the Concessionaires; ii. Explain the discrepancies noted between the balance of	The cost of borrowings charged to MWSI for DBP/LBP loan was already adjusted to RE/financial expenses per JEV#2014-04-1668. Reiterated letter from COA on the write off of Accounts Receivable from MWSI. Arbitration is on going	Finance			On-going		

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		<p>Guarantee Deposits Payable against the amount of P40.100 million being claimed by MWSS representing residual accounts erroneously withheld by the Concessionaires and provide justification on the Guarantee Deposits Payable only during the MWSS privatization; and</p> <p>iii. Review and reconcile discrepancies with the Concessionaires for negatively confirmed accounts and initiate collection of valid receivables.</p>							
4. (COA AAR CY 2015) (pages 90-91)	<p>Management continuously failed to reconcile the material variances between the P3.674 billion balance of long-term liabilities account, and the confirmed balances from the Bureau of Treasury (BTr), National Housing Authority (NHA) and other foreign lending institutions of P5.536 billion on the domestic and foreign loans, resulting in the increase of negative variance of P1.862 billion as at year-end.</p>	<p>We strongly reiterated our previous years' recommendations that Management:</p> <p>a.Examine and analyze the outstanding balance confirmed by NHA amounting to P5.630 million and effect the corresponding adjustments for the difference noted amounting to P93.165 million;</p> <p>b.Provide the BTr with the amortization schedule and the necessary documents to</p>		Finance (Loans)			On going		

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		<p>prove full payment of IBRD 2676 loan account since BTr confirmed an outstanding balance of P380.594 million; and</p> <p>c. Request for the verification of its accounts for JBIC/OECF, SPIAL, IBRD Nos. 1272 and 4019, ADB Loan Nos. 1150 and 1379, and Natixis Loan for the differences noted.</p>							
5. (COA AAR CY 2015) (pages 92-93)	<p>Cash and cash equivalents in the amount of P2.685 billion remained insufficient to cover the unpaid foreign loans already billed by the Bureau of the Treasury and all recognized Trust Accounts, aggregating P2.798 billion, although the variance significantly decreased from P243 million in CY 2014 to P113 million at year-end. Cash and cash equivalents already included amount P1.701 billion representing collections from the Concessionaires for the payment of said foreign loans which were not treated as restricted collections.</p>	<p>We reiterated our prior years' audit recommendations and Management agreed to:</p> <p>a. Efficiently monitor its cash flows to ensure that funds are disbursed solely for the intended purposes;</p> <p>b. Finally settle with the BTr the issue on JBIC loan;</p> <p>c. Require the Finance Department to set up in the books a separate account restricted for the collections received from the Concessionaires for the payment of foreign loans; and</p> <p>Maintain separate bank account for cash collected from the Concessionaires for the payment of loans which</p>		OA & FD			On going		

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		have not been paid due to unresolved issues with the Bureau of Treasury.							
6. (COA AAR CY 2015) (pages 93-96)	The year-end balance of account Deferred Credits amounting to P1.827 billion was found not valid obligations as defined under PAS/ IAS 37 due to the (1) inclusion of amounts totaling P1.729 billion for which no cash was received or expense incurred; and (2) erroneous credits for income already earned totaling P97.095 million.	We reiterated our previous year's audit recommendations that Management instruct the Finance Department to immediately analyze and review each of the subsidiary ledgers of the Other Deferred Credits account to ensure that only cash collections received in advance for services that are yet to be rendered are included in the Other Deferred Credits account at the end of each accounting period; and thereafter, prepare the necessary accounting adjustments.					On going		
7. (COA AAR CY 2015) (page 97)	MWSS did not remit to the Bureau of the Treasury the amount of P1.614 billion already collected from the Concessionaires for the payment of the JBIC/OECF loan despite the demand for payment by the latter.	We reiterated our prior years' recommendation that Management immediately remit to the Bureau of Treasury the amount collected from the Concessionaires as payment for the JBIC/OECF loan.					Reconciliation with BTR has yet to be pushed through		
8. (COA AAR CY 2015) (pages 98-108)	The validity and accuracy of the Other Assets account with aggregate amount of P1.434 billion was doubtful due to the inclusion of: a. Garnished and dormant accounts of P725.247 million; b. Idle lands held for currently undetermined future use amounting to P593.706 million as Other Assets	8.1 Require Finance Department to: a. Substantiate the validity of the dormant accounts by providing sufficient and relevant supporting documents/information; thereafter, request for write off from the	For adjustment with the New Chart of Accounts	Finance/ PMD					

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	<p>instead of Investment Property per Philippine Accounting Standards (PAS) 40;</p> <p>c. Unreconciled amounts totalling P477.362 million;</p> <p>d. Unserviceable assets of P121.450 million; and</p> <p>e. Discrepancies existing between the numbers of idle lands per Inventory Report against lands transferred to Other Assets.</p> <p>Also, inadequate safekeeping of accounting and other records was observed contrary to Section 111 of PD 1445.</p>	<p>Commission on Audit;</p> <p>b. Provide time-bound action plan for the analysis and verification of unreconciled accounts and exert utmost effort to locate the documents needed in the analysis;</p> <p>c. Coordinate with the Property Management Department to determine the previous account classification of the unserviceable assets prior to the privatization of the operation of MWSS; if determined as PPE, recognize appropriate impairment losses and if Inventories, adjust the account to the net realizable value;</p> <p>d. Reassess the utility of the parcels of land transferred to Other Assets account and comply with the accounting and reporting requirements of PAS 40; thereafter, reclassify the Not-In-Service lands to Investment;</p> <p>e. Reconcile the discrepancies noted on the number of Not-In-</p>	<p>For inclusion of Other Assets in the conduct of physical inventory.</p>						

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		<p>Service lands per PMD Inventory Report against the records of the Finance Department and effect adjustments, if necessary; and</p> <p>f. Observe proper and adequate safekeeping of financial and other records to comply Section 111 of PD 1445.</p> <p>8.2 Reiteration of prior year's audit recommendations on the cash accountabilities transferred to Other Assets account that Management:</p> <p>a. Require the Finance Department to justify the recording of the balances to the Other Assets account;</p> <p>b. Provide time-bound action plan for the analysis and verification of unreconciled accounts and exert utmost effort to locate the documents needed in the analysis;</p> <p>c. Coordinate with the Property Management Department to determine the previous account</p>							

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		<p>classification of the unserviceable assets prior to the privatization of the operation of MWSS; if determined as PPE, recognize appropriate impairment losses and if Inventories, adjust the account to the net realizable value;</p> <p>d.Reassess the utility of the parcels of land transferred to Other Assets account and comply with the accounting and reporting requirements of PAS 40; thereafter, reclassify the Not-In-Service lands to Investment;</p> <p>e.Reconcile the discrepancies noted on the number of Not-In-Service lands per PMD Inventory Report against the records of the Finance Department and effect adjustments, if necessary; and</p> <p>f. Observe proper and adequate safekeeping of financial and other records to comply with Section 111 of PD 1445.</p>							
9.	The Investment in Special Reserve	We strongly reiterated that		Finance			On going		

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(COA AAR CY 2015) (pages 108-109)	Fund totaling P379.538 million was not accurately stated due to the non-accrual of interest income earned from the Investment with the Bureau of the Treasury for the 3 rd and 4 th quarters of CY 2015. Also, a difference of P17.186 million was noted between the book balance of the Fund, and the amount confirmed by the Bureau of the Treasury.	Management: a. Require the Finance Department to record the accrued interest income in its Investment in Special Reserve Fund to reflect the correct balance at year-end; and b. Immediately reconcile the fund balance recorded in its books as against the balance of investment with the BTr and effect the corresponding adjustment for the difference noted amounting to P17.186 million.	Management will abide and will send letter to BTR.						
10. (COA AAR CY 2015) (pages 109-110)	Interest expense amounting to P285.569 million paid by MWSS for the loan secured from LBP and DBP Club Deal Arrangement (Floating Bonds) was recorded as Other Receivables from Maynilad Water Services Inc. (MWSI), contrary to the Framework for the Preparation and Presentation of the Financial Statements. Moreover, its collectability was doubtful as the amount was disputed by MWS and MWSS has yet to file dispute claim for local arbitration.	a.Require the Finance Department to reclassify the outstanding Other Receivable with Sub Account Code No. 149-03-02-12-10 amounting to P285.569 million to interest expense in accordance with paragraphs 35 and 89 of the Framework to reflect the true and fair account balances; and b.Follow up with the OGCC the report on the updates on the arbitration and submit the same to this Office for audit purposes.	This account was already reclassified per JEV # _____.	Finance			Complied		

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					From	To			
11. (COA AAR CY 2015) (pages 111-113)	<p>The Property, Plant and Equipment (PPE) – General Administrative Equipment accounts with carrying amount of P211.064 million remained not fairly valued due to inaction of Management to implement prior year's audit recommendations on the following noted exceptions:</p> <ul style="list-style-type: none"> a. Unaccounted unserviceable GAE amounting to P33.995 million arising from the variance noted on the amount of disposed assets per Property against Finance Department's records; b. Unserviceable assets costing P213.623 million not properly classified to Other Assets account; and c. Non-recognition of impairment loss on obsolete and unserviceable assets per PAS 36, negating the agency's accounting policy for Impairment of Assets. <p>Moreover, timely disposal of unserviceable assets was not observed, as required under NBC 425 and Manual on Disposal of Government Property, resulting in further deterioration and decline in their value totaling P213.623 million.</p> <p>The reasonableness of the negotiated price in the sale of the unserviceable vehicle in the amount of P2.420 million was not ascertained due to the non-submission of the justification on the</p>	<p>Considering the inaction of Management on the foregoing, we reiterated our previous years' recommendations to:</p> <ul style="list-style-type: none"> a. Conduct an investigation to determine the officers and employees responsible for the unaccounted unserviceable GAE and hold liable the person responsible; b. Conduct periodic inventory and inspection of all unserviceable GAE property to avert possible losses and immediately conduct disposal proceedings thru auction or sale of the unserviceable properties to avoid further deterioration and decline in value of the subject assets; c. Determine the recoverable amount from the obsolete and unserviceable assets and recognize appropriate impairment losses; d. Reclassify the obsolete and unserviceable GAE assets to the Other Assets account; e. Immediately review the accounting records to 	Reconciliation is on going	Finance/ PMD					

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	further reduction to lower than 80% of the appraised value of the negotiated price, in violation of the Manual on Disposal of Government Property.	<p>determine the GAE assets eligible for dropping and reconcile with the records of the Property Management Department;</p> <p>f. Obtain explanations/justification from the Disposal Committee on why the negotiated price in the sale of unserviceable vehicles was lower than 80% of the appraised value and henceforth, strictly comply with the provisions of the Manual on Disposal of Government Property to avoid any transactions that are disadvantageous to the Government; and</p> <p>g.Reconcile the Finance and Property records on all vehicles included in the Motor Vehicles/ Other Transportation Account and substantiate all additions/deductions from the account; thereafter, review accounting entries made to record the sale and dropping from the books of the 53 unserviceable vehicles and prepare necessary adjusting entries, if warranted.</p>							
12.	a. MWSS had not collected its share			Finance					

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(COA AAR CY 2015) (pages 114-115)	equivalent to 40 percent in the net income from operation of the La Mesa Ecopark (La Mesa Resort Zone) from CYs 2004 to 2015 due to the lack of concrete action in resolving the issue on the 15 percent management fee being charged by ABS-CBN Foundation Inc. (AFI). Likewise, the Financial Reports for CYs 2013 to 2015 were not submitted by AFI.	a. Issue billing statement to AFI to enforce collection of its 40 percent share in the net income from operation of La Mesa Ecopark (La Mesa Resort Zone) for the period CYs 2004 to 2011 that was covered by the MWSS audit;							
		b. Require AFI to submit the required Financial Reports from CYs 2012 to 2015 to determine its 40 percent share; thereafter, bill AFI for the amount collectible;							
		c. Record in the books of accounts the amounts receivable from AFI; and							
		d. Review the legal implication of not having the contract ratified/approved by the Board of Trustees as required in Section 22 of the Agreement.							
13 (COA AAR CY 2015) (pages 116-119)	The balance account, Construction in Progress (CIP) totaling P617.237 million as of year-end was not accurately stated due to the inclusion of (a) various costs of completed projects amounting to P159.654 million; (b) unallocated or unreconciled accounts amounting to P453.902 million and (c) cost of project funded by the Concessionaire in the amount of P3.681 million, resulting in material misstatement of the account balance. Moreover, the project status	We reiterated prior years' recommendations that Management: We reiterated prior years' recommendations that Management a. Require the Finance Department to: i. Review and analyze the cost of completed projects and reclassify to		Finance/ Engineering			On going		

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	report as of December 31, 2015 showed that there were no ongoing projects.	<p>their appropriate asset or expense accounts and make the necessary adjustments supported with Certificate of Completion and Acceptance; and</p> <p>ii. Make appropriate adjusting entries for the receipt of funds for the "Design and Build of Joint Sewage and Septage Treatment Plant and Facilities" project accounted as CIP instead of trust liability;</p> <p>b. Require both the Finance and Engineering Department for the proper and adequate safekeeping of project documents and financial records to comply with Section 111 of PD 1445 on the keeping of accounts; and</p> <p>c. Immediately review the dormant and unreconciled accounts charged to the CIP account and effect necessary adjustments.</p>							
14 (COA AAR CY 2015)	The accuracy and validity of the reported rent income of P257.421 million was doubtful due to:	a. Instruct the Finance Department to recognize income when earned as		Finance/ PMD/ AGSD			On going		

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(pages 119-124)	<p>a. Recognition of income totaling P158.834 million pertaining to prior years;</p> <p>b. Inclusion of unearned revenue P2.820 million;</p> <p>c. Errors in double recording of income;</p> <p>d. Unrecognized income for the year totaling P964,397;</p> <p>e. Absence of lease contract between MWSS and its lessees; and</p> <p>f. Non-adjustment of rental rate despite being stipulated in the contracts.</p>	<p>provided under paragraphs 25-26 of PAS 1 and paragraph 92 of the Conceptual Framework for the Preparation and Presentation of Financial Statements;</p> <p>b. Prepare adjusting entries for income recorded twice in the books of accounts in the amount P452,127 and the unrecognized income P964,397;</p> <p>c. Require the Property Management Department to renew the lease contracts as legal documents/basis for the collection of income from leased property;</p> <p>d. Take appropriate action on the use of a rented building by the Concessionaires for purposes other than the intended purpose;</p> <p>e. Execute new or renew existing contracts on the use of MWSS Right-of-ways (ROWS) as basis to compel the occupants to pay rental fees; and</p> <p>f. Enforce the provision of the</p>	Already adjusted per JEV#2016-04-1683						

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					From	To			
		contract of lease on the collection of adjusted rental rates by taking appropriate legal action to collect unpaid fees or arrearages.							
15 (COA AAR CY 2015) (pages 125-126)	As in previous years, the long outstanding advances to contractors totaling P278.402 million at year-end remained doubtful due to incomplete data on the projects for which the advances were granted and the lack of documents needed to determine the persons liable/responsible for the non-recoupment. Further, the action plan to recover the advances was found not responsive to the implementation of the audit recommendations	<p>We strongly reiterated our audit recommendations that Management:</p> <p>a. Determine and submit this Office the name of the projects to which the above advances were made and the status of said projects, the information on whether the contractor was fully paid without deducting the above advances and person/s responsible, the date of payment, and the aging of the advances to contractors;</p> <p>b. Initiate immediately legal action against the contractors for the respective amount unrecouped advance payments made to them by MWSS;</p> <p>c. Determine and hold liable the persons responsible for the non-recoupment and investigate why the advance payments were not deducted from the progress</p>	Billing was again sent to contractors and those without addresses were verified with BIR.	Finance/ Engineering/ Legal			On going		

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		<p>billings and the non-forfeiture of the surety bonds, if any; and</p> <p>d. Take action for the blacklisting of the contractors who have outstanding advances from MWSS.</p>							
16 (COA AAR CY 2015) (pages 127-128)	Asset and liability accounts with balances P588.743 million and P884.549 million, respectively, remained unreconciled/unverified, thus affecting the fair presentation of these accounts in the Statement of Financial Position.	We reiterated our prior years' audit recommendation that Management facilitate the immediate reconciliation of the unreconciled/unverified accounts shown in the Statement of Financial Position totaling P295.807 million by immediately hiring contract of service personnel approved by the GCG which Management intend to hire as part of their action plan in the AAPSI.	<p>On going</p> <p>Hired 3 Contract of Service to do reconciliation of unreconciled accounts</p>	Finance	April	2017			
17 (COA AAR CY 2015) (pages 128-130)	<p>Concession Income in the amount of P244.288 million was not accurately reported due to:</p> <p>a. Discrepancy of P215.605 million between the amount recorded in the books and the amount of cash actually received from Concessionaires during the year; and</p> <p>b. Income from Concession Fee – Debt Service and Progress Billing in</p>	<p>We strongly reiterated and Management agreed to require the Finance Department to:</p> <p>a. For Concession Income, properly record and accrue the income on Concession Fee due to Term Extension in the year the amount was received; and</p>		Finance			Implemented		

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	the amount of P25.001 million and P3.681 million, respectively, were recorded as income in CY 2015 instead of CY 2014, the period to which the transaction pertained.	b.For Concession Fee received for Debt Service and Progress Billings, ensure that income are recognized in the period to which transaction pertains, by promptly issuing Statement of Accounts (SOAs)/Billing Statements to Concessionaires and other debtors.							
18 (COA AAR CY 2015) (page 131)	The accuracy and validity of the year-end balance of account Sinking Fund at P29.510 million was highly doubtful as confirmation from the Bureau of the Treasury showed negative sinking fund balance.	Require the Finance Department to revisit and determine the correctness of the entry made under JEV No. 05-11-28010 when the BTr transferred to MWSS Current Account with PNB the sinking fund amounting to P27.814 million with value date of August 26, 2003; and thereafter, analyze the account and prepare the necessary adjusting entry to determine the accuracy of the sinking fund balance.		Finance			On going		
19 (COA AAR CY 2015) (pages 132-142)	The accuracy and reliability of the accounts <i>Due to BIR, Other Prepaid Expenses EWT and Output VAT</i> amounting to P3.922 million, P15.339 million and P196,652, respectively were not ascertained due to: a.The opening balance CY 2015 account Other Prepaid Expenses-	a.Reconcile and substantiate the tax credits variance per BIR Form 1702 against the book balance of Other Prepaid Expense-EWT and provide a reliable basis for the unreconciled tax credits of P11.10 million;	Reconciliation is ongoing	Finance (c/o Edna)			On going		

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	<p>EWT of P25.035 million was not reconciled with the tax credits balance in BIR Form 1702 filed in CY 2014 amounting to P14.102 million, or a difference of P10.933 million. The account also included unsubstantiated and unreconciled tax credits balance if P11.097 million.</p> <p>b. Other Prepaid Expenses-EWT was credited instead of Other Prepaid Expenses-Output VAT to take up Creditable Withholding Tax applicable for Value-Added Tax remittances to the BIR resulting in understatement of Other Prepaid Expenses-EWT amounting to P11,091 and overstatement of Other Prepaid Expenses- Output VAT by the same amount.</p> <p>c. Tax credits applied in previous years were not recorded as credit to the Other Prepaid Expenses-EWT.</p> <p>d. There was no provision for Tax Refunds Payable amounting to P357,494 made at year-end due to the failure to prepare timely tax analysis and adjustments as provided by the National Internal Revenue Code (NIRC), resulting in misstatement of the account <i>Due to BIR</i>. Consequently, the tax due to employees was refunded past the deadline set in the Tax Code.</p> <p>e. The adjusted balance of account <i>Due</i></p>	<p>b. Review and analyze dormant and abnormal balances of the various subsidiary ledgers of Due to BIR, and account for possible unremitted tax collections and remit the same to BIR, if any;</p> <p>c. Review and account for the Tax Refunds Payable due to its employees and effect the necessary adjusting entries at year-end and henceforth, prepare timely tax analysis and adjustments to comply with Section 79 (H) of the NIRC;</p> <p>d. Direct the Finance Department to effect reversal credit entries made against Other Prepaid Expenses-EWT and effect corresponding credit entries to Other Prepaid Expenses-Output Tax to rectify the misclassification of accounts, and henceforth, diligently review accounting entries before recording in e-NGAS to avoid erroneous entries;</p> <p>e. Analyze and review the Other Prepaid Expenses-EWT account balance to determine the correct</p>							

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	<p>to BIR as of year-end, after taking into account the remittance for December 2015 tax collections showed an unremitted balance of P504,607 and various subsidiary ledgers with abnormal balances.</p> <p>Further, MWSS did not recognize and present as a separate line item the Income Tax Expense related to profit and loss from ordinary activities totaling P44.852 million in its Consolidated Profit and Loss Statement; instead, the same was inadvertently included in the account Taxes, Duties and Licenses under the Maintenance and Other Operating Expense (MOOE), contrary to COA Circular 2004-008, PAS 1 on the Presentation of Financial Statements and PAS 12 on Income Taxes.</p>	<p>amount of tax credits and apply the same to the amount of tax due;</p> <p>f. Recognize and present in the Consolidated Profit and Loss Statement the current tax expense and prepare reconciliation of accounting and tax income for the year; and further, review charges that should have been made to Other-Prepaid Expenses for the tax credits claimed by MWSS in the current and previous taxable years; and</p> <p>g. Reverse and reclassify the entry made to record the Corporate Income Tax paid in 2nd Quarter CY 2015 to its appropriate account and present the same as tax expense in the Consolidated Profit and Loss Statement in compliance with COA Circular 2004-008, PAS 1 and PAS 12.</p>							
20 (COA AAR CY 2015) (pages 142-144)	<p>Money claims for Retirement Benefits (RA 1616), Cost of Living Allowance (COLA) and Amelioration Allowance (AA) totaling P65.269 million were reverted to Retained Earnings, contrary to Section 98 of PD 1445.</p>	<p>Require the Finance Department to reverse the entries made to close its obligations covered by Supreme Court rulings; otherwise submit a certification that all qualified claimants of the subject RA</p>		Finance	July 16	Jan 2017	On going		

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		1616, COLA and AA have already received their benefits and there is no need for the set-up of payable.							
21 (COA AAR CY 2015) (pages 144-146)	The accuracy and validity of the reported year-end balance of Accounts Receivable – Inter-Agency Transfer totaling P16.155 million were not established due to (a) unsubstantiated and dormant balances of P4.993 million; and (b) net discrepancy of P1.106 million between the records of MWSS and the lessee government agencies.	Reiterate the prior year's audit recommendations that Management: a.Consider requesting from the Commission on Audit for authority to write off from the books, accounts which qualify for de-recognition pursuant to the guidelines of COA Circular 97-001 dated February 5, 1997 on the Proper Disposition/Closure of Dormant Funds, and COA Resolution No. 2003-002 dated January 30, 2003 on delegation of authority to approve write off of, among others, uncollectible accounts receivable; and b.Reconcile discrepancies of receivable from leased properties with the lessees and make necessary adjustments, if necessary.	Part of the reconciliation to be performed by COS.						
22 (COA AAR CY 2015) (pages 146-150)	Various reconciling items totaling P40.966 million were not adjusted at the end of the year, thus Cash in Bank – Savings and Current Account balance P36.444 million was not correctly stated. No Monthly Bank Reconciliation Statements (BRSs) for the Foreign	Reiterate the prior years' audit recommendations for Management to: a.Make representation with the banks for the submission of the debit and		Finance/ Treasury					

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	Currency Savings Account and no Status of MWSS Special Account Peso Deposit maintained with the Bureau of Treasury were prepared and submitted contrary to Section 74 of PD 1445.	<p>credit advices and other relevant documents to support the recording of the bank reconciling items; if any discrepancies are noted in the future, it is advised that Management promptly notify the concerned banks so that discrepancies can be immediately addressed;</p> <p>b.For recurring bank reconciling items, verify their existence and validity and provide the concerned depository banks with schedule of bank reconciling items for the purpose of reconciliation and make necessary adjusting entries, if necessary; and</p> <p>c.Prepare BRS on all local/foreign currency savings accounts at the end of each month in compliance with Section 74 of PD 1445.</p>							
23 COA AAR CY 2015) (pages 150-151)	Documentation on the reversion of intra-agency payables to government agencies (GSIS, Pag-ibig and Philhealth) in MWSS CO books totaling P2.047 million in CY 2014 remained unsubmitted for audit, thus, the validity of the reversal was not ascertained.	Require the Finance Department to analyze the payable accounts and submit documents supporting the reversion made in CY 2014 for audit purposes.		Finance/HR					

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24 (COA AAR CY 2015) (pages 151-154)	Contract for the security services of Catalina Security Agency covering the period December 2014 to November 2016 was found non-compliant with the Revised Implementing Rules and Regulations (RIRR) of RA 9184 to wit: a) the prescribed timelines or period of action required under Section 38.2 was not complied with, b) documents required in various Sections were not submitted and c) the Abstract of Bid as Calculated was not prepared pursuant to Section 32.3	<p>a. Strictly comply with the provisions under Section 38.2 of the IRR of RA 9184 on the period of procurement activities for goods and/or services, Section 20 for the conduct of pre-procurement conference required for procurement of goods costing above P2 million, and Section 32.3 with respect to the preparation of the Abstract of Bid as Calculated;</p> <p>b. Ensure that all reporting requirements require in the IRR of RA 9184 are complied with; and</p> <p>c. Submit BAC Resolution authorizing the non-collection of payment from the purchase of new bidding documents by interested bidders for the 2nd bidding.</p>		AGSD					
25 (COA AAR CY 2015) (pages 154-155)	Accounts Payable- Accrued was overstated by P915,436 due to error in the accrual of the obligations for security services and booking up of the accrual for consultancy services with no contract.	<p>a. Require the Finance Department to ensure that all obligations are supported with documents as provided under Section 4(6) of PD 1445 to avoid excess obligation;</p> <p>b. Recognize as liabilities at the end of the year goods</p>		Finance					

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Reasons for Partial/Delay/Non-implementation, if applicable	Action Taken/Actions to be Taken	
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		<p>and services which have been delivered and rendered in accordance with paragraph 91 of the Framework; and</p> <p>c. Prepare the necessary adjusting entry to correct the overstatement of Account Payable – Accrued</p>							
B.2 REITERATION OF PRIOR YEARS' AUDIT OBSERVATIONS AND RECOMMENDATIONS – MWSS RO									
1 (COA AAR CY 2015) (pages 156-158)	<p>the validity of PPE accounts costing P147.590 million (exclusive of Building costing P2.815 million) as December 31, 2015 remained doubtful mainly due to:</p> <p>a. Exclusion of assets related to the Public Assessment of Water Services (PAWS) Project totaling P119.359 million in the Physical Inventory Report;</p> <p>b. Non-reclassification of unserviceable assets in the amount of P777,722 from PPE accounts to Other Assets account and non-recognition of impairment loss as provided for in PAS 36 on Impairment of Assets; and</p> <p>c. Improperly accomplished Inventory Reports as there was no certification from the in-charge of the Inventory Committee and no</p>	<p>a. Include the IT equipment in the Inventory report with information on the current condition, e.g. Serviceable or Unserviceable, and the location of the asset;</p> <p>b. Reclassify all unserviceable assets to the Other Asset account;</p> <p>c. Facilitate the immediate disposal of the unserviceable assets in accordance with the Manual Disposal of Government Property; and</p> <p>d. Submit properly accomplished Physical Inventory Report pursuant to COA Circular No. 80-124.</p>							

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					From	To			
	approval by the Agency Head.								
2. (COA AAR CY 2015) (pages 158-161)	The Accounts Payable balance totaling P91.577 million was unreliable due to: a. Inclusion of amounts due to officers and employees of P48.420 million without supporting documents and negative amounts of P3.281 million which reduced the ending balance to P45.139 million; and b. Accrual of expenses totaling P22.460 million for goods not yet delivered and services not rendered at year end including expenses of P1.960 million already paid.	Require the Finance Department to: a. Determine the validity of the undocumented Due to Officers and Employees account – claims; analyze the abnormal balance and effect the necessary adjusting entry, if warranted; b. Substantiate the accrued expenses with valid and complete supporting documents to support the validity of the recorded liabilities; Revert immediately those invalid and non-existing payables; c. Ensure that only liabilities for which goods have been delivered and services rendered are recognized in the books; and d. Prepare the adjusting entries for accrued expenses that were already paid.							
3 (COA AAR CY 2015) (pages 161-162)	Outstanding advances to UP National Engineering Center (NEC) in the amount of P5.967 million as at year-end for the Public Assessment of Water Services Project (PAWS) remained unrefunded by UP to MWSS RO although the project was completed in	Provide time-bound action plan to settle the issue with UP NEC for the return/refund of the outstanding balance from the PAWS project.							

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					From	To			
	CY 2011								
4 (COA AAR CY 2015) (page 162)	Due to GSIS, PAG-IBI, Philhealth and other Funds carried negative balances totaling P100,314 and P686,846, respectively, indicating over-remittances to the concerned agencies and/or errors in the computation of amount dues.	Reiterate the prior years' audit recommendation and Management agreed to analyze the accounts with abnormal balances and effect the adjusting/correcting entries, if warranted							
B.3 REITERATION OF PRIOR YEARS' AUDIT OBSERVATIONS AND RECOMMENDATIONS- COMMON TO MWSS CO AND RO									
1 (COA AAR CY 2015) (pages 163-166)	<p>The collection efficiency of Due from Officers and Employees and Loans Receivables – Others with year-end balances totaling P85.130 million remained low due to the Management's decision of allowing loan payment at the debtor's discretion and not on the agreed monthly amortization; the inaction of Management to recover the receivables totaling P14.333 million from debtors no longer connected with MWSS; inclusion of dormant accounts totaling P7.24 million; and non-collection of the P25 million seed money granted to MWSS Multi-Purpose Cooperative.</p> <p>Moreover, the subsidiary ledgers showed abnormal balances totaling P2.632 million rendering the balances questionable.</p>	<p>Since this is a reiteration of prior years' audit recommendation, we strongly recommended that MWSS CO and RO Management:</p> <p>a. Reconsider its decision allowing the payment of loans at debtor's discretion. Instead, enforce collection of monthly amortization such that the loans are fully paid within the period stipulated in the contract; and</p> <p>b. Initiate legal action to recover the unpaid receivables from officers and employees no longer connected with MWSS.</p> <p><u>FOR MWSS CO</u> We reiterated the previous year's audit recommendation to require the Finance Department to reconcile its records and monitor the</p>							

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					From	To			
		<p>balances due from employees, officers and non-employees.</p> <p><u>FOR MWSS RO</u> We reiterated the previous year's audit recommendation to take immediate legal action to recover from the MWSS Multi-Purpose Cooperative the P25 million seed money.</p>							
2 (COA AAR CY 2015) (pages 167-174)	Deficiencies in the handling, utilization, recording and monitoring of cash accountabilities of the Collecting and Special Disbursing Officers were found in audit.	<p><u>FOR MWSS CO</u></p> <p>a. Regularly monitor the cash in bank balance to check if there were credits to the bank accounts considering that MWSS accepts payments thru bank credits;</p> <p>b. Require PNB to immediately furnish MWSS with the credit memo once deposit/payment of monthly rentals and utilities is made; and</p> <p>c. Stop the use of MWSS Official Receipts by the MWSS Employees Welfare Fund, and require the latter to secure its own official receipt.</p>							

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		<p>FOR MWSS CO AND RO For Management to require their respective SDOs to –</p> <p>a. Disburse funds in accordance with the nature/purpose and scope provided in MWSS Office Order authorizing the establishment of petty cash funds;</p> <p>b. Comply with the following COA regulations:</p> <ul style="list-style-type: none"> ➤ COA Circulars No. 97-002 on the grant, utilization and liquidation of the cash advance; ➤ COA Circular No. 2012-001 particularly Section 1.1.2 thereof, in the documentary requirements in the liquidation of cash advances/petty cash fund; and ➤ COA Circular No. 92-389 on the requirement that all vouchers and supporting documents should be stamped "Paid"; <p>c. Reduce the amount of the PCF of the AOs to such</p>							

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		<p>amount necessary to cover petty expenses for one month as provided in Section 4.3 of COA Circular No. 97-002;</p> <p>d. Consider closing the PCF maintained by Ms. Agullana and consolidate it with the fund handled by the other SDOs; and</p> <p>e. Require adequate bonding of all Accountable Officers in accordance with COA Circular No. 2006-5 and Treasury Circular No. 02-2009</p>							
3. (COA AAR CY 2015) (page 174)	MWSS had no approved plans and programs for GAD for CY 2015 required under EO 273 to address GAD issues in the workplace.	We recommend and Management agreed to comply with the provision of EO 273 on the institutionalization of the GAD plans and programs in MWSS.	The GAD Plans and Programs for 2016 was already approved by the GAD committee. It is now for approval by the Philippine Commission for Women and to be implemented 4 th quarter of 2016. The GAD Plans and Programs for 2017 is likewise for approval by the Philippine Commission for Women.	HR					
4. (COA AAR	No elimination of reciprocal accounts was effected in the consolidation of the	a.Reconcile immediately the discrepancies between the	The amount of	CO/ RO		June 2016	Complied		

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CY 2015) <i>(pages 174-175)</i>	2015 financial statements of the MWSS CO and RO, due to unreconciled balance of P142.55 arising from: a.Non-settlement of the issue on the unremitted share of MWSS RO in the Concession Fees for CY 2014 in the amount of P142.009 million; and b.Non-accrual of expenses by the RO which was paid by CO totaling P0.547 million.	reciprocal accounts to come up with reliable account balances in the books of both MWSS CO and RO; and b.Require the Finance Department to periodically reconcile and analyze the reciprocal accounts to preclude any discrepancy and ensure proper elimination in the consolidated financial statements.	P142.55M was already reconciled in both CO and RO books. Henceforth, reciprocal accounts will be monitored to ensure elimination in the consolidated report at year end.						
C. INTERNAL CONTROL EVALUATION – MWSS CO									
1. (COA AAR CY 2015) <i>(pages 174-186)</i>	Due to lapses in the agency's asset management system and the absence of effective and efficient internal control on the verification of the physical existence of MWSS properties, the accuracy of the physical inventory report on building and other structures with carrying value of P26.106 billion was not ascertained.	a.Inform this office on the actions taken on the result of the physical inventory-taking particularly on assets which could not be located; b. Submit the following documents set forth in the Concession Agreement duly acknowledged by the Concessionaires to establish accountability of the concessionaires over the turned-over assets: i. For Movable Properties – Undated document captioned "General Administration Equipment, Physical Inventory, distributed							

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		<p>December 2, 1996;</p> <p>ii. For Inventories – Undated document captioned “Summary of Construction Materials/Office Supplies”, distributed December 2, 1996; and</p> <p>iii. For Retained and Assigned Fixed Assets- Document captioned “Allocation of Fixed Assets” dated December 6, 1996;</p> <p>c. Immediately conduct disposal thru auction or sale of the unserviceable properties to generate additional fund considering that the non-operating assets are subject to further deterioration and diminishing market value; and</p> <p>d. Institute/Establish and maintain a reliable, efficient and cost-effective asset/property management system to ensure that government properties are safeguarded from deterioration and losses.</p>							

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2. (COA AAR CY 2015) (pages 184-188)	Internal control weaknesses in the recording of check disbursements were observed, to wit: a. Practice of recording transactions only upon release of checks to payees contrary to the accrual basis of accounting required under para. 27 PAS 1; b. Delay in the approval of the Journal Entry Vouchers (JEV) and in the recording of paid checks resulting in unrecorded disbursements at the end of each month, inconsistent with the Financial Reporting System Conceptual Framework in the Preparation of Financial Statements and COA Circular 91-368; c. The "Received From" portion of the Disbursement Vouchers (DVs) not signed by the payees as required under COA Circular 92-389; and d. The Monthly Reports on Checks Issued (RCI) not prepared by a Data Encoder and not by the Cashier as required in e-NGAS.	Require the Finance Department to: a. Record the transaction upon approval of the disbursement voucher and not after the release of check; b. Review and process the approval and recording of the JEV in the e-NGAS immediately; c. Require the Cashier to sign or certify correct the RCI which should be supported with list of unreleased and cancelled checks; and d. Instruct the Cashier to have the payee sign the "Received from" portion of the DV.	Complied						
D. Value for Money (VFM) Audit – MWSS CO									
1. (COA AAR CY 2015) (pages 189-190)	1. Of the total Accounts Receivable of P1.578 billion, the collection efficiency of P1.117 billion or 71 percent consisting of receivables from water service customers covering								

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	<p>the period from 1988 to 1996 (prior to MWSS' privatization in 1997) was considered nil, as the same had not been moving for five years.</p> <p>1.1 Under Section 3.4 of the Concession Agreement entered into in 1997 with MWCI and MWSI, the Concessionaire shall have the exclusive right to collect any accounts receivable from customers for water and sewerage services until the first anniversary of the Commencement Date (May 6, 1998). All amounts collected less collection fees shall be remitted to MWSS. From August 1997 to December 1999, the Concessionaires collected a total amount of P713, 293,514.</p> <p>1.2 Documents gathered revealed that in CY 1999, a collection service agreement was executed between MWSS and DBP Service Corporation (DBPSC) for the purpose of collecting the MWSS Accounts Receivable (AR) from its customers. Said agreement was renewed for an indefinite term until CY 2010.</p> <p>1.3 Based on the Status of Collections for the period August 1, 1997 to December 31, 1999 and CY 2001, provided by the accounting personnel, Contract collectors and four collecting agencies also assisted MWSS in the collection of the Accounts Receivable from customers. There was no report for CY 2000 on file with</p>								

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	<p>Management.</p> <p>1.4 Thereafter, a collection Task Force was created under Office Order 2010-015 dated January 22, 2010 with the objective of facilitating and expediting the collection of prior years' water accounts receivable and raw water accounts. The task force was also to handle and prepare the billing statement, demand letters, collections, notice of disconnection/final disconnection and revision, as the need arises. The Chairman, AR Task Force provided this Office a copy of the Report on the MWSS AR Project where it recommended the accounts for write off and the ARs for collection. It appears that the former Management did not take any action on the report of the Task Force on long outstanding accounts.</p> <p>1.5 As of year-end, the Accounts Receivables still included water/sewer accounts receivable from water service customers prior to MWSS' privatization in 1997 stated at P1,116,986,530.01 or 71 percent of the total Accounts Receivable of P1.578 billion. Details as to the composition of the P1.117 billion dormant accounts were not established since there was no available account summary of customers and subsidiary ledgers. The only available document to support the receivable account is the voluminous collection stubs safely kept at the</p>								

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	<p>MWSS storage room.</p> <p>1.6 We noted that Management provided an allowance for doubtful accounts for the full amount. While the account may be fairly presented by providing an allowance, Management's inability to collect them resulted in loss to government. As disclosed in Note 6 of the Notes to FS, the collectability of the amount was highly improbable.</p> <p>1.7 We recommended and Management agreed to:</p> <p>a. Review and evaluate whether there is still recoverable amount from the said accounts and enforce collection;</p> <p>b. Refer the matter to the MWSS Legal Department for legal action if needed; and</p> <p>c. Initiate the request for write off of the accounts to COA with proof that the amount could no longer be collected and the actions taken to enforce collection.</p>								
1. (COA AAR CY 2015) (pages 190-193)	2. The structural integrity of some portions of the Bigte-La Mesa Aqueduct and the potability of water flowing therein remained compromised due to the presence of unauthorized structures and improvements in the								

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	<p>Right of Way (ROW) areas.</p> <p>2.1 In CY 2014 Annual Audit Report, we recommended that Management (i) cause the immediate relocation of the illegal settlers along the aqueduct right of way; (ii) demolish the structures and unauthorized improvement constructed along the MWSS Right of Way at owner's expense; and (iii) enforce collection of rental fees to serve as just compensation for the use of MWSS ROW by private entities or institute legal action for their use without prior consent or approval from the System.</p> <p>2.2 In the Agency Action Plan and Status of Implementation of audit recommendations for CY 2014, Management commented that ROWs are now under the bounds of the Common Purpose Facilities' (CPF) management. It was also reported that the CPF Management engaged contractors for the purpose of fencing the MWSS ROWs and that a master plan on the security of the ROW from Bigte to La Mesa Portal is being prepared by the CPF for submission to MWSS.</p> <p>2.3 CPF are facilities upstream of Angat dam established under the UATP project and the facilities downstream of the auxiliary hydropower plant of Norzagaray, Bulacan, including the Ipo reservoir facilities, the Ipo-Bicti</p>								

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	<p>tunnels, Bicti basins and Bicti-Novaliches aqueducts, up to and including the Novaliches portal interconnection facilities operated by the two concessionaires, MWSI and MWCI.</p> <p>2.4 Inspection by the audit team on February 23, 2016 to determine the extent of compliance and to validate the status of implementation of CY 2014 audit recommendations on the subject issue of property safeguarding and management revealed that portions of the aqueduct ROWs from La Mesa-Dam to San Jose Del Monte, Bulacan remained occupied by business establishments and informal settlers who introduced unauthorized structures into the premises and other improvements wanting approval from MWSS, to wit:</p>								
	<p>3. Lack of planning to maximize the use of the Balara Quarters consisting of 117 residential houses resulted in the following:</p> <p>a. Further deterioration of 35 units that posed risk to life and properties due to falling materials;</p> <p>b. The presence of 37 illegal occupants of which 21 having pending court cases, six with decided cases for ejection and 10 having no action from Property Management Department;</p> <p>c. Thirty two units were rented but without valid contracts;</p>	<p>3.6 We recommended that Management:</p> <p>a. Demolish the dilapidated structures taking into consideration the rules and regulations on the disposal of unserviceable properties and the Manual on Building Services and Real Property Management issued thru Joint Circular No. 1 dated September 30, 1989 by the DBM, DENR and DPWH on the proper inspection and demolition procedures of government buildings;</p>							

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	<p>d. Thirteen were occupied by “caretakers”; and</p> <p>e. There were structures demolished in the Balara Quarters that were not accounted.</p> <p>The number of residential houses per accounting records did not tally with the property management’s records with the former higher by 19 houses. Likewise, the physical inventory report identified the Balara Quarters as turned-over assets whereas in the security service contract, the area was considered MWSS retained-assets as provided for in the Guidelines and Procedures in the Detailed Allocation of Fixed Assets of MWSS.</p> <p>3.1 The MWSS Balara Quarters, whose designs were mainly influenced by pre-war art style and constructed sometime in the 1930’s to 1950’s was one of the attractions in the Balara Filters Park. It is located in Brgy. Pansol, Balara, Quezon City and were originally built to house the then old NAWASA employees working at the Balara Filtration Plant compound. The privilege to occupy the housing facilities for some qualified employees has been terminated following the privatization of the water distribution operations of MWSS and their consequent termination of service to the agency.</p>	<p>b. Require the Property Management Department to coordinate with the Legal Department on the implementation of the court decision for the ejection of the six illegal occupants;</p> <p>c. Take action on the 10 illegal occupants reported by the Property Management Department but having no pending case in the Legal Department;</p> <p>d. Coordinate with the concessionaire (MWCI) on the status of the sub-leased Quarters and enforce collection of rental arrearages and ejection of those former MWCI employees who are still occupying the quarters;</p> <p>e. Renew the lease contracts with MWCI for the continued use of the Balara Quarters by their employees;</p> <p>f. Investigate why the employees who are no longer connected with MWSS and MWCI were allowed to reside in Balara;</p> <p>g. Direct the PMD to reconcile records with the</p>							

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	<p>3.2 Analysis of the status report on the condition of the housing units at the Balara Quarters as of end of the year submitted by the Property Management Department (PMD) showed that of the 117 units, 35 were dilapidated and posed risk to life and properties caused by falling materials and 32 units were rented but without valid contracts, 37 have pending court cases while the other 13 units were occupied by “caretakers” who are MWSS employees.</p> <p>3.3 Ocular inspection conducted by the COA Audit Team together with the PMD personnel showed the following:</p> <p>3.3.1 The 35 houses have further deteriorated and need to be demolished as they pose risk to life and properties.</p> <p>3.3.1.1 The Manual on Building Services and Real Property Management issued thru Joint Circular No. 1 dated September 30, 1989 between the DBM, DENR and DPWH provides the conditions which necessitate the repair, maintenance or demolition of government buildings, and we quote:</p> <p>“1.2. Conditions wherein a structure or building needs repair, maintenance or demolition</p> <p>1.2.1 Structural Hazards</p>	<p>Finance Department on the actual number of residential houses in Balara, Quezon City; and</p> <p>h. Review the Guidelines on the allocation of Fixed Assets of MWSS with regard to the Balara Quarters, whether these are turned-over facilities or MWSS-retained to establish accountability over their management.</p>							

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	<p>1.2.1.1 x x x</p> <p>1.2.1.2 Whenever any portion or member or appurtenance of a building is likely to fall, or to become detached or dislodged or to collapse and thereby injure persons or damage property.</p> <p>...</p> <p>1.2.1.8 whenever the building or structure has been so damaged by fire, wind, earthquake or flood, or has become so dilapidated or deteriorated as to become (1) an attractive nuisance to children; (2) a harbour for vagrants, criminals or immoral persons; or as to (3) enable persons to resort to committing unlawful or immoral acts.”</p> <p>3.3.1.2 The 35 units are no longer habitable and already dilapidated and should have been demolished to avoid the possible damage it may cause to life and properties due to falling off of some materials. There is also the risk that the place may be used for illegal purposes/activities.</p> <p>3.3.2 The presence of 37 illegal occupants of which 21 having pending court cases, six with decided cases and for ejection and the 10 having no action from PMD.</p> <p>3.3.2.1 PMD reported that there are 37 civil cases filed in the Quezon City regional/municipal trial court against different individuals for unlawful</p>								

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	<p>detainer. However, verification of the list of pending legal cases submitted by the Legal Department disclosed that there are only 27 cases filed in court while the remaining 10 occupants have no action taken against them by the MWSS.</p> <p>3.3.2.2 We noted that included in the list of pending cases are six cases with notation that these are for PMD action. Inquiry from the Legal Department disclosed that these were cases already decided, thus transferred to PMD for their execution. As of year-end, they still illegally occupy the housing units.</p> <p>3.3.3 There were 32 units rented but not covered with valid contracts.</p> <p>3.3.3.1 In CY 2001, MWSS entered into a contract with MWCI for the leasing of 32 quarters to house some of the MWCI personnel whose assignments are directly related to the operations of the Balara Filter Plants. The sub-lease of those quarters by MWCI to its qualified employees is subject to the understanding that they recognize ownership of MWSS and for which they are willing to lease the premises subject to an agreement with MWSS. The contract was renewed on October 27, 2006 and expired on October 26, 2011, renewable at the option of MWSS. As of date, the contracts were not renewed but the occupants continue to reside in the Balara Quarters.</p>								

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	<p>3.3.3.2 Verification showed that only 17 occupants paid the rent as of CY 2015 totalling P2,709,044.04. The non-renewal of lease contracts which expired in 2011 and separation from service with MWCI of the remaining 15 occupants add burden to the enforceability of collection and thus causing revenue loss to MWSS.</p> <p>3.3.4 Of the 13 units occupied by MWSS employees, only seven have been currently employed in MWSS.</p> <p>3.3.4.1 Office orders signed by the Administrator of MWSS served as the authority to occupy and use a Quarter/unit in Balara. The authority shall be ineffective upon retirement /resignation or separation from the service.</p> <p>3.3.4.2 Documents submitted showed that of the 13 units occupied by MWSS employees, only seven are still connected with MWSS. We noted that the PMD Manager has issued letters to the concerned unauthorized dwellers to vacate the place within 30 days from receipt of the notice in October 2014. However, inspection revealed that they continue to reside in the Balara Quarters.</p> <p>3.3.5 There were structures demolished in the Balara Quarters that were not accounted.</p>								

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	<p>3.3.5.1 The list of assets turned over to MWCI submitted by the PMD showed that there were 32 units Condo Housing-Row Type House that were not found or were reported as demolished.</p> <p>3.3.5.2 The PMD reported that there were seven housing units demolished as of year end; however, based on the latest record of approved demolition of housing facilities under Board Resolution No. 2008-028, only five units were approved by the MWSS Board of Trustees or a difference of two housing units.</p> <p>3.3.5.3 The above observation revealed the absence of proper monitoring or supervision on properties located at the Balara Quarters. It is quite disturbing that the structures were allowed to be demolished without securing proper approval and without undergoing the appropriate disposal procedures of government properties. Moreover, the lack of action on the reported demolished 32 condo housing row type units is a cause of concern because it showed apathy or lack of interest on the assets of MWSS.</p> <p>3.4 We also found discrepancies in the records between the PMD and the Finance Department in the number of houses. Accounting records showed that there were 136 residential quarters in Balara while the PMD reported 117 or a difference of 19 units. The Finance</p>								

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	<p>Department recorded the residential quarters in lump carrying amount of P7,390,801.46 as of December 31, 2015; thus, reconciliation of discrepancies cannot be easily established.</p> <p>3.5 The MWSS Balara Quarters are among the MWSS-retained assets based on the Guidelines and Procedures in the Detailed Allocation of Fixed Assets, pertinent provision reads as follows:</p> <p>2. STRUCTURES AND IMPROVEMENTS/BUILDING AND IMPROVEMENT ...</p> <p>2.5 Employees quarter where there is alternative housing available such as Balara and San Juan shall be retained by the MWSS to be sold or leased. ...</p> <p>However, the subject housing units were not included in the physical inventory-taking of MWSS-retained assets conducted in CY 2015 because Management claimed that these were turned-over assets to MWCI.</p> <p>3.6 We recommended that Management:</p> <p>a. Demolish the dilapidated structures taking into consideration the rules and regulations on the disposal of unserviceable properties and the Manual on Building Services and Real</p>								

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	<p>Property Management issued thru Joint Circular No. 1 dated September 30, 1989 by the DBM, DENR and DPWH on the proper inspection and demolition procedures of government buildings;</p> <p>b. Require the Property Management Department to coordinate with the Legal Department on the implementation of the court decision for the ejection of the six illegal occupants;</p> <p>c. Take action on the 10 illegal occupants reported by the Property Management Department but having no pending case in the Legal Department;</p> <p>d. Coordinate with the concessionaire (MWCI) on the status of the sub-leased Quarters and enforce collection of rental arrearages and ejection of those former MWCI employees who are still occupying the quarters;</p> <p>e. Renew the lease contracts with MWCI for the continued use of the Balara Quarters by their employees;</p> <p>f. Investigate why the employees who are no longer connected with MWSS and MWCI were allowed to reside in Balara;</p> <p>g. Direct the PMD to reconcile records with the Finance Department on the actual number of residential houses in Balara, Quezon City; and</p>								

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	<p>h. Review the Guidelines on the allocation of Fixed Assets of MWSS with regard to the Balara Quarters, whether these are turned-over facilities or MWSS-retained to establish accountability over their management.</p> <p>3.7 No Management comment was received.</p> <p>4. Delayed collection of Raw Water Connection Accounts from large customers was observed due to the practice that collection of the amount due from the previous billing period was simultaneously done with the issuance of the billing statement for the current period, contrary to the Raw Water Service Connection Contract. Moreover, MWSS could have earned additional revenue from raw water totaling P796.917 had it collected the penalties/interest charges for late payment from large customers.</p> <p>4.1 Income from Raw Water totaled P54,023,665.88 as of December 31, 2015. Raw water consumers are located in San Jose del Monte to Norzagaray, Bulacan and are covered by the Raw Water Service Connection Contract.</p> <p>4.2 Under Item 5, Section 2 on the Obligations and Duties of the Concessioner/Customer in the Raw Water Service Connection Contract, the</p>								

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	<p>customer agrees and is obliged to religiously pay the amount due within 10 days after the receipt of the statement of account or else an interest of 1 ½ percent shall be charged and collected.</p> <p>4.3 However, we noted that the MWSS designated collecting officer personally collects the amount due from raw water customers simultaneous with the issuance of the current statement of accounts, contrary to the abovementioned raw water contract. Hence, delay in the collection ranging from 16 to 28 calendar days was observed in the case of the San Jose del Monte Water District, the largest raw water consumer.</p> <p>4.4 Audit showed that interest charges were collected only from individual customers for late payment, while large raw water consumers were not charged totalling P796,916.72 with details as follows:</p> <p>CustomerAmount San Jose Del Monte Water District - WTP2 P514,632.36 San Jose Del Monte Water District – WTP1 230,262.24 Tungkong Mangga Barangay Water Services 35,814.26 Victoria Wave Limited Inc. 5,632.20 Sitio Crusher Homeowners Assn. 2,068.37 Barangay Hall Bigte (Samson Wenceslao) 4,746.47</p>								

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	<p>Carlos Rayo (Norzagaray Water District) 2,939.13 Others 821.69 Total P796,916.72</p> <p>4.5 The non-imposition of interest was not compliant with Paragraphs 14 and 15 of the Policies and Guidelines for Raw Water Accounts which states:</p> <p>“14. Payment made more than ten (10) working days after the receipt of bill shall be subject to interest charges. 14.1 Any bill falling due on a legal/special holiday shall be payable on the next working day. WHO DOES WHAT WHEN Meter Reader Gets Reading 7th day of month Meter Reader Delivers bill to customer 5 working days after meter reading Customer Pays due amount (w/out interest charges) Up to 10 working days after receipt of bill only</p> <p>15. An account left unpaid after the due date is subject to interest charge computed at one and one-half (1-1/2%) percent per month of the amount due”.</p> <p>4.6 Details of the late payments by the San Jose Del Monte Water District (SJDMWD) are shown below:</p>								

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					From	To			
	<p>4. Delayed collection of Raw Water Connection Accounts from large customers was observed due to the practice that collection of the amount due from the previous billing period was simultaneously done with the issuance of the billing statement for the current period, contrary to the Raw Water Service Connection Contract. Moreover, MWSS could have earned additional revenue from raw water totaling P796.917 had it collected the penalties/interest charges for late payment from large customers.</p> <p>4.1 Income from Raw Water totaled P54,023,665.88 as of December 31, 2015. Raw water consumers are located in San Jose del Monte to Norzagaray, Bulacan and are covered by the Raw Water Service Connection Contract.</p> <p>4.2 Under Item 5, Section 2 on the Obligations and Duties of the Concessioner/Customer in the Raw Water Service Connection Contract, the customer agrees and is obliged to religiously pay the amount due within 10 days after the receipt of the statement of account or else an interest of 1 ½ percent shall be charged and collected.</p> <p>4.3 However, we noted that the MWSS designated collecting officer personally collects the amount due from raw water customers simultaneous with the issuance of the current statement of</p>	<p>4.8 We recommended and Management agreed to require the Finance Department to:</p> <p>a. Impose penalties and interest on late payments made by raw water customers in accordance with Paragraph 15 of the Policies and Guidelines for Raw Water Accounts; and</p> <p>b. Consider requiring the large water consumers to pay directly to MWSS or to pay through the banks the amount of raw water due in accordance with the provision of Item 5, Section 2 on the Obligations and Duties of the Concessioner/Customer in the Raw Water Service Connection Contract.</p>							

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Reasons for Partial/Delay/Non-implementation, if applicable	Action Taken/Actions to be Taken	
			Action Plan	Person/Dept. Responsible	Target Implementation Date				Status of Implementation ¹
					From	To			
	<p>accounts, contrary to the abovementioned raw water contract. Hence, delay in the collection ranging from 16 to 28 calendar days was observed in the case of the San Jose del Monte Water District, the largest raw water consumer.</p> <p>4.4 Audit showed that interest charges were collected only from individual customers for late payment, while large raw water consumers were not charged totalling P796,916.72 with details as follows:</p>								

Agency Sign-off:

NATHANIEL C. SANTOS

Senior Deputy Administrator/ Officer-in-Charge
MWSS Corporate Office

JOEL C. YU

Chief Regulator
MWSS Regulatory Office