

**MARAMAG WATER DISTRICT**  
Maramag, Bukidnon

**AGENCY ACTION PLAN** and  
**STATUS OF IMPLEMENTATION**  
Audit Observations and Recommendations  
For the Calendar Year 2014  
As of December 31, 2015

| REF | AUDIT OBSERVATIONS  | AUDIT RECOMMENDATIONS   | AGENCY ACTION PLAN  |  |   |   | STATUS OF IMPLEMENTATION  | REASON FOR PARTIAL/DELAY NON-IMPLEMENTATION, IF APPLICABLE | ACTION TAKEN/ ACTION TO BE TAKEN |
|-----|---|---|---|--|---|---|---|--|----------------------------------|
|     |   |   | ACTION PLAN   | PERSON/DEPT. RESPONSIBLE   | TARGET IMPLEMENTATION DATE                                  |   |   |  |                                  |
|     |   |   |   |  | FROM  | TO  |   |  |                                  |
|     | <b>CY 2012</b>  |   |   |  |   |   |   |  |                                  |
| 1   | 1. The book balance of Accounts Receivables-Customers account amounting to P2.967 million does not reconcile with the balance per aging schedule totaling P3.343 million, showing a variance of P376,186.87.<br><br><i>(existing since CY 2006)</i> | Require the Commercial and Accounting Sections to review from time to time records and entries made in prior years affecting Accounts Receivables-Trade/Customers account to uncover reconciling items.   | Segregation of In-active Accounts   | Commercial & Accounting  | 12/2013   | 12/2015   | Partially implemented   | On process of Reconciling records & entries in prior years | 50% accomplished                 |
| 2   | 2. The book balance of Utility Plant In-Service (UPIS) and Accumulated Depreciation account is overstated by P327,895.55 and P295,105.70, respectively due to inclusion of unserviceable items.<br><br><i>(existing since CY 2006)</i>              | <p>a. Prepare the necessary procedures to dispose the identified unserviceable equipment so as not to entail additional storage and maintenance cost, if any. Disposal procedures should be in accordance with COA Circular No. 89-296 and Section 79 of P.D. 1445.</p> <p>b. When found valueless and unsalable, the committee should destroy the same and use the inventory and inspection report (I and I Report) for unserviceable property as the basis for dropping the unserviceable properties from the books of account.</p> <p>c. For unserviceable items which were not included in the lapsing schedule of UPIS account, prepare separate list for appropriate action of the disposal committee.</p> <p>d. Effect necessary adjustments to the UPIS account and the Accumulated Depreciation account so as to present fairly the said accounts in the financial statements. Below is the suggested adjusting entries:</p> | <p>Disposal of Unserviceable Equipment/ Valueless &amp; Unsaleable Properties</p> <p>Inventory &amp; Inspection Report</p> <p>Inventory &amp; Inspection Report</p> <p>Adjustments to the UPIS Accounts</p> | <p>Property Custodian &amp; Accounting</p> <p>Property Custodian &amp; Disposal Committee</p> <p>Property Custodian &amp; Disposal Committee</p> <p>Accounting</p> | <p>05/2013</p> <p>05/2013</p> <p>05/2013</p> <p>05/2013</p> | <p>12/2015</p> <p>12/2015</p> <p>12/2015</p> <p>12/2015</p> | <p>Partially Implemented</p> <p>Partially Implemented</p> <p>Partially Implemented</p> <p>Partially implemented</p> | <p>On the process of disposing the valueless items</p>     | <p>90% accomplished</p>          |

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| 3 | <p>3. The book balance of Materials and Supplies Inventory (Account 131) amounting to ₱143,057.27 does not reconcile with the balance per inventory report totaling ₱1,250,632.21 showing a variance of ₱1,107,574.94.</p> <p><i>(existing since CY 2006)</i></p> | <p>Retained Earnings    ₱32,789.85<br/>Accum. Dep'n.        295,105.70<br/>UPIS                        ₱327,895.55</p> <p>Require the Accounting and Property Section to reconcile the balance per book and that of the physical count report of materials and supplies inventory. Effect necessary adjustments either in the books or physical inventory report to have fair presentation of account balance.</p>  | Separation of Ledgers for different materials & supplies  | Property Custodian & Accounting                       | 12/2013                                      | 12/2015                               | Partially implemented  | On the process of reconciling book balances against inventory records   | 65% accomplished  |
| 4 | <p>4. The district has an unliquidated cash advances totaling to ₱135,855.26 as of December 31, 2012.</p>   | <p>a. Direct the Accounting Section to prepare and submit regularly a monthly report on unliquidated cash advances for monitoring purposes.</p> <p>b. Require the concerned officer and employees of the district to facilitate submission of liquidation reports and supporting documents on or before August 15, 2013.</p> <p>c. Submit a letter-request to the Commission on Audit for possible write off of cash advances of government employees who are already deceased or those that remained unliquidated for more than ten years subject to certain conditions as detailed in COA Resolution No. 80-122 dated April 23, 1980.</p> | <p>Prepared individual ledgers per Officers &amp; Employees concerned.</p> <p>Demand letters were forwarded to the Officers/ Employees Concerned.</p> <p>Letter request to COA Regional Office No. 10, Cagayan De Oro City for the write-off of Unliquidated Cash Advances of more than 10 years.</p> | <p>Accounting</p> <p>Accounting</p> <p>Accounting</p> | <p>12/2013</p> <p>12/2013</p> <p>12/2013</p> | <p></p> <p>12/2015</p> <p>12/2015</p> | <p>Fully implemented</p> <p>Fully implemented</p> <p>Partially implemented</p> | <p></p> <p></p> <p>The Management already sent the letter request, but, however, there was no response endorsed to this Office as to the status whether said request was approved or denied.</p>  | <p>100% accomplished</p> <p>100% accomplished</p> <p>60% accomplished</p> |
| 5 | <p>5. Land and land rights with a value of P485,000.00 were not supported with legal documents of ownership.</p>  | <p>Make representation with DENR Regional Office to clarify the conditions set by certain DENR Personnel. The non-titling of purchased lots should be properly disclosed as part of the notes to the financial statements.</p>  | Application for Titling Documentations  | OESD  | 1/2015                                       | 12/2015                               | Partially Implemented  | There were provisions set by DENR Personnel pertaining to the titling of properties; but, however, said application for titling is now being work out.  | 50% accomplished  |
| 6 | <p>6. ₱1.929 million or 58% of the total balance per aging schedule of the accounts receivables-customers was considered inactive accounts and the same were included as part of the current assets.</p>  | <p>Conduct a thorough investigation on the whereabouts of concessionaires whose accounts were classified as dormant or inactive and determine as to its collectability of their respective accounts. Further, direct the Accounting Section to reclassify the inactives as Other Assets. Also, submit a request for possible write-off of inactive accounts with nil probability of collection to the Commission on Audit.</p>  | Aging of In-active Accounts Classification and Reconciliation of Records  | Commercial & Accounting                               | 12/2013                                      | 12/2015                               | Partially implemented  | The Management already requested the COA for the write-off of dormant In-active accounts aging more than 10 years, but, however, no response was made. Classification and reconciliation of In-active accounts were already on the process. | 80% accomplished  |

| CY 2013 |  |  |  |                                 |         |         |                         |   |                   |
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| 7       | 1. The book balance of Materials and Supplies Inventory (Account 131) remained unreconciled with the inventory report having a variance of P587,867.46 as of December 31, 2013 due to discrepancy in the recording of deliveries/receipts and issuances/withdrawals of materials and supplies inventory.   | Require the personnel in the Accounting and Property Sections to reconcile regularly the balance per book and that of the monthly stock status report taken into consideration the report on the actual physical count of materials and supplies inventory. Also, require monthly reconciliation on the recording of adjustments, deliveries/receipts and issuances/withdrawals affecting the said account. Effect necessary adjustments either in the books or physical inventory report to have a fair presentation of account balance.                                      | Actual Physical Inventory Count Report   | Property Custodian & Accounting | 12/2013 | 12/2015 | Partially implemented   | Actual physical inventory count was made by the Inventory team, but, however, reconciliation on the recording and adjustments were not affected right away. | 85% accomplished  |
| 8       | 2. The book balance of accounts receivables-customers amounting to P3.229 million remained unreconciled with the balance per aging schedule amounting to P3.642 million having a variance of P412,723.26.  | Reconcile the Accounting and Commercial Sections to reconcile regularly the balances per book and aging schedule. Any adjustment made should be well coordinated by the said sections. Also, consider the possibility to incorporate in the computer-based billing and collection system the generation of monthly report of billing adjustments and other manually encoded data inputs showing the total amount of monthly billing adjustments. Effect necessary adjustments either in the book or aging schedule to reconcile the balance of accounts receivables-customers. | Aging of In-active Accounts Classification; Classification & records reconciliation of Accounts Receivables-Customers from prior years to current year; and adjustments of entries and recording per book. | Accounting & Commercial         | 12/2013 | 12/2015 | Partially implemented   | The Management already started the classification and reconciliation of recordings on the Aging of accounts receivables-customers from current year.        | 65% accomplished  |
| 9       | 3. Payments of labor costs for various excavation works, salaries and wages to watchman, job order and casual employees totaling P935,382.55 were not supported with the required accomplishment reports and other required supporting documents.  | Strictly comply with the documentary requirements particularly the accomplishment reports and approved job order/work order to support payments of salaries and wages as prescribed in COA Circular No. 2012-001.  | Accomplishment Report  | Accounting                      | 12/2013 | 12/2014 | Fully implemented       |   | 100% accomplished |
| 10      | 4. Various claims of foreign travel expenses totaling P219,906.00 incurred by the districts officials to attend the international seminar/conference in Jakarta, Indonesia in CY 2012 and Tachikawa, Japan in CY 2013 organized by EROPA were not supported with the required authority to travel abroad and without complying other conditions as detailed in the Office of the President Memorandum Circular No. 7 series of 2010 and LWUA Memorandum Circular No. 010-10. | Require the concerned district officials to submit the required authority to travel. Strictly comply the conditions set as detailed in LWUA Memorandum Circular No. 010-10 and Memorandum Circular No. 7 series of 2010 of the Office of the President in sending participants to international conventions/conferences.   | Stoppage of travel abroad without authority to travel.   | BODs, GM, Division Manager      |         |         | Implemented immediately |   | 100% accomplished |

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|----------------|--|---|---|---|------------------------|------------------------|---|--|---|
| 11             | 5. Payments of financial assistance and cash gift to the board of directors totaling P52,875.00 for CY 2013 were made without legal basis.   | Strictly observe the pertinent provisions of EO Nos. 24 and 65 and LWUA Memorandum Circular No. 015-12 in approving payments of incentives which should be supported with valid authority. Require the members of the board to refund the CNA received on or before May 31, 2014.   | Furnishing of the Audit Observation Memorandum and Letter Request of Payment to the Officers concerned.   | Board of Directors & Accounting           |                        |                        | Immediately implemented (discontinued upon advised) |  | 100% accomplished                         |
| <b>CY 2014</b> |  |   |   |   |                        |                        |   |  |   |
| 12             | 1. Accounts Receivable totaling P4,253,315.94 as of September 2014 were doubtful and unreliable in view of accounting deficiencies causing the variance in total between the Accounting and Commercial records, thus, impairing the fair presentation of the account in Financial Statements.              | Instruct the accounting to record penalties as income when collected in accordance with IPSAS No. 9 and prudence in recognizing income; adjust accounts receivable of the penalties recorded in the current and prior years; Instruct the Corporate Accountant and the Commercial Section to reconcile the difference of P353,205.75 between the GL and SL to ascertain the correctness and reliability of Accounts Receivable balance.<br><br>Also direct the Senior Corporate Accountant to extract the prior years' penalty; meantime adjust the current recording of penalty using the suggested entry, to reverse accounting entry made recognizing penalty from January to September 2014 as accounts-receivable customers:<br><br>Other Income-Penalty P978,568.80<br>Accounts Receivable-Trade P978,568.80<br><br>To record adjustments of penalties recorded in the prior years.<br><br>Prior Period Adjustments to Retained Earnings - P xxx<br>Accounts Receivable-Trade P xxx | Extraction of penalty charge from the computerized billing and reconciliation of the GL and SL.<br><br>Recomputation of the actual penalty accounted. | Accounting & Commercial<br><br>Accounting | 12/2014<br><br>12/2013 | 12/2015<br><br>12/2015 | Fully implemented<br><br>Partially implemented      | On the process of extracting and reversing the accounting entry. | 100% accomplished<br><br>75% accomplished |
| 13             | 2. Construction in Progress (CIP) account includes various completed projects amounting to P1,232,484.10 thus, failing to account for the depreciation charges and affecting the income and expenses account for CY 2013 which run counter with Section 41 of the New Government Accounting System (NGAS). | Accounting Division be guided by the accounting principle concerning the recognition of asset and relevant accounting procedures that come necessary to it such as the periodic evaluation of the keeping of items composing the District's asset accounts. Records the corresponding depreciation one month after the final acceptance of the completed project.   | Reconciliation with full documentation of actual cost   | Accounting                                | 12/2014                | 06/2015                | Fully implemented                                   |  | 100% accomplished                         |

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|    |   | Likewise, require the Engineering Division to maintain logbook for projects under construction in progress recording all materials requisitioned and reconcile its record with the accounting books. Report and submit the complete documentation after the project completion for immediate recording in the books.   | Recording of requisitioned materials under the Construction in Progress to the Log Book  | Accounting & OESD  | 12/2014                                      | 03/2015                                      | Fully implemented   |  | 100% accomplished   |
| 14 | 3. The presentation of the Loans Payable-NLIF account of ₱13,251,625.00 was overstated due to the inclusion of the whole as payable despite one half was in a form of grant and having been completed but not transferred to property account thus failing to account for the related accumulated depreciation resulting to understatement and overstatement of expense and income accounts respectively. | <p>Make representation with LWUA to obtain relevant documents to validate the Loans Payable and related accounts pertaining to NLIF, including the certificate of work completion.</p> <p>Direct the Senior Corporate Accountant to make the necessary adjustments based on valid document in order to come up with fair presentation of the Loans Payable-NLIF and Construction Work in Progress Accounts in the financial statement.</p> <p>Strictly adhere to the provisions of Section 111 and 112 of Presidential Decree No. 1445.</p>  | <p>Copy of signed Memorandum of Agreement by &amp; between MWD &amp; LWUA.</p> <p>To affect the 50% loan and 50% grant conditions set forth under the MOA; make the necessary adjustments in the FS.</p>   | <p>Accounting</p> <p>Accounting</p>                                    | <p>12/2014</p> <p>12/2014</p>                | <p>03/2015</p> <p>03/2015</p>                | <p>Partially implemented</p> <p>Fully implemented</p>                               | <p>Copy of signed MOA was missing by that time, thus, the Accountant have no basis for validation.</p>   | <p>90% accomplished</p> <p>100% accomplished</p>                        |
| 15 | 4. The reported operating income for the period January to September 2014 was understated by more than ₱15,625.87 due to accounting deficiency in recording taxes withheld by government and other establishments contrary to Section 121 (2) of Presidential Decree (PD) No. 1445 and Philippine Accounting Standards No. 18.  | <p>Consider communicating with the Bureau of Internal Revenue (BIR) office to request the application as tax credit of the 3% income taxes withheld and remitted by the government concessionaires and other business establishment to the District's franchise tax on the subsequent payment.</p> <p>Make representation to the withholding payors to deduct 2% franchise tax only excluding the non VAT of 3% and also deduction of business tax of ₱1,100.00 which affected the reduction of the operating income of the district.</p> <p>Require the Cashier/Tellers to ask copies of the BIR Form 2307 from the withholding government agencies and other business establishment upon payment/settlement of the latter's account.</p> | <p>Letter request to BIR for the application of Tax Credit of the 3% income taxes withheld and remitted for the current &amp; prior years.</p> <p>Negotiation with the suppliers and other business establishments</p> <p>BIR Form 2307 submission</p> | <p>Accounting</p> <p>Accounting</p> <p>Accounting &amp; Commercial</p> | <p>01/2015</p> <p>01/2015</p> <p>01/2015</p> | <p>12/2015</p> <p>12/2015</p> <p>12/2015</p> | <p>For implementation</p> <p>Partially implemented</p> <p>Partially implemented</p> | <p>On the process of negotiating with the BIR relative to the tax credit of the 3% income taxes withheld, as per advised by the COA</p> <p>On the process of making representation with the payors.</p> <p>On the process of requiring the submission of BIR Form 2307</p> | <p>30% accomplished</p> <p>30% accomplished</p> <p>30% accomplished</p> |


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|    |  | <p>Require the Accounting Section to observe PAS No. 18 and compliance to Section 121 of PD 1445. Prepare a summary of all taxes withheld from water sales from January to September and make an adjusting entry:</p> <p>Input Tax (181)                    P xxx<br/>Sales Revenue (571)                    P xxx</p> <p>To record taxes withheld from government offices and business establishments.</p> | Summary of Taxes withheld from water sales               | Accounting                      | 12/2013 | 12/2015 | Partially implemented   | The Accountant is on the process of preparing the summary of all taxes withheld from water sales and affect the necessary adjusting entry as provided by the COA Auditors in recording taxes  | 50% accomplished  |
| 16 | 5. Out of 2,583,717 cubic meters total production in CY 2014, the District was unable to implement control measures to mitigate the unaccounted water loss equivalent to 44% annual average, which is far beyond the tolerable allowance of 20% water loss of LWUA.  | <p>Properly safeguard and protect the use of water and facilities by addressing the problem on unaccounted water in order to prevent further revenue losses in operations and assured the efficient and effective delivery of water services; and</p> <p>Continue to exert efforts in the proper implementation of the Non-Revenue Water Program.</p>   | NRW Reduction Program                                    | OESD                            | 12/2013 | 12/2015 | Partially implemented   | The Management has been conducting NRW Reduction Program through repairs of its distribution mains & servicelines; change of defective meters with average or zero reading of more than 5months; and penalizing of Anti-Pilferage violators.  | 50% accomplished  |
| 17 | 6. Materials and Supplies Inventory are maintained at cost through First in First out (FIFO) costing method instead of the Moving Average Method as required by New Government Accounting System provision.  | Accounting Division must be guided by the provisions of the NGAS with regard to the prescribed costing method of inventory; hence, cost of inventory shall be computed using the moving average method.   | Affect the usage of Moving Average Method as per advised | Property Custodian & Accounting | 12/2014 | 03/2015 | Fully implemented       |   | 100% accomplished |
| 18 | 7. The District's incurred traveling expenses amounting to ₱177,818.00 for male employees to General Santos City and Sarangani and female employees to Vigan, Ilocos Sur despite the directive to adopt austerity measures as prescribed under Administrative Order 103 Section 1.a.2 dated August 31, 2004. | Strictly adheres to the provisions of Administrative Order 103 among others to refrain from making unnecessary travels.   | Immediate discontinuance of said travel                  | ACFSD & OESD                    |         |         | Implemented immediately |   | 100% accomplished |
| 19 | 8. The Districts procurement of labor component of infrastructure project implemented by administration totaling ₱993,596.14 was through payment of labor on a daily basis, instead of "pakyaw" system mandated under GPPB Resolution No. 018-2006.  | Strictly adhere to the provisions of GPPB Resolution No. 018-2006 relative to the procurement of labor component for the projects implemented by Administration to fast track implementation of projects/programs/activities.   |  | OESD                            |         |         | Fully Implemented       | The Management paid the labor component per linear meter with accomplishment report per person, that is more economical to the WD with maximum performance, and ensures that each labor personnel received their actual pay without complaints of being deducted with ₱1.00 per linear meter by the | 100% accomplished |

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|----|--|--|---|--------------------------------|------------|--|-------------------------|--|-------------------|
| 20 | 9. The District paid excessive government share of the statutory deduction of PAG-IBIG Fund contribution covering the period January to October 2014 in the total amount of P 71,157.50, contrary to Sec. 1 Rule IV, IRR of RA No. 7742.   | Adheres strictly to the provisions of Section 1 Rule IV of the Implementing Rules and Regulations of RA 7742 of the PAG-IBIG Fund membership contribution. Consider writing officially the Pag-IBIG Fund Office for a possible application of the overstatement in the subsequent remittance.  | Adjusted Pag-ibig Monthly Contribution of Employer Share of P100.00/employee.   | Accounting                     | 12/01/2014 |  | Implemented immediately |  | 100% accomplished |
| 21 | 10. The BAC composition has no representative from the end user unit, and the TWG members were designated by the General Manager contrary to Sections 11.2.3 and 12.1 of the IRR of RA No. 9184.   | Amend Administrative Order No. 2012-21 on the composition of the Bids and Awards Committee for Goods, to include as member of the Committee a representative from the end user unit and to exclude the composition of the Technical Working Group.<br><br>Bids and Awards Committee to create a Technical Working Group pursuant to Section 12.1(k) of the IRR of RA No. 9184.   | Follow the recommendation to include End user representative and to appoint TWG Members according to the type of procurement. | Management & BAC               |            |  | Implemented immediately |  | 100% accomplished |
| 22 | 11. The District did not prudently implemented the 2014 Annual Procurement Plan (APP) for the procurement of goods and services, thus contravene with Section 7 of the Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 or GPPB Resolution No. 03, 2009, totaling P 2,954,601.00 for goods and P993,596.14 for services, respectively. | Require the Bids and Awards Committee (BAC) to strictly adhere to the procurement prescribed rules pursuant to RA 9184 and enforced to streamline procurement action in its annual needs for supplies, materials and equipment.<br><br>Ensure compliance and facilitate verification of paid transactions, and attach photo copy of the approved APP for every transactions where in the procured supplies or materials were listed.<br><br>That all procuring entities are mandated to fully use the (PHILGEPS) Sec. 8.3 of 9184 and will take advantage of the significant built-in efficiencies and volume discounts inherent in bulk purchasing of the Procurement by Electronic Means and the Philippine Government Electronic Procurement System (PHILGEPS) of the procurement of Common-Use supplies in accordance with the rules and procedures to be established by the GPPB. | Approved APP CY 2014  | Storekeeper A Accounting & BAC | 12/2014    |  | Implemented immediately | The prepared APP for CY 2014 wasn't endorsed to the DBM, but, however, all procurements for goods were made through PS-DBM.<br><br>The Management attached photocopy of the approved APP for every transactions upon after the Audit recommendation.<br><br>The Management prepared the supplemental to APP for CY 2014 only after the Audit recommendation. | 100% accomplished |

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