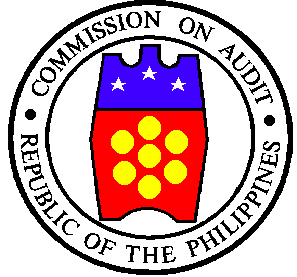
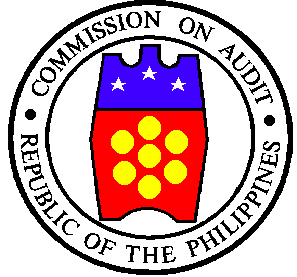
Republic of the Philippines



**COMMISSION ON AUDIT**

Regional Office No. X

Cagayan de Oro City

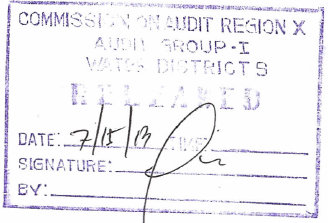
**ANNUAL AUDIT REPORT**

**ON**

**BACOLOD WATER DISTRICT**

**Bacolod, Lanao del Norte**

# For the Year Ended December 31, 2012

****Republic of the Philippines



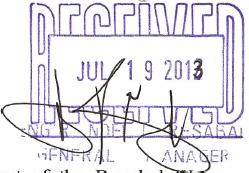
**COMMISSION ON AUDIT**

Regional Office No. X

Cagayan de Oro City

**OFFICE OF THE REGIONAL DIRECTOR**

July 15, 2013

**Engr. Noel L. Resabal**

**General Manager**

Bacolod Water District

Bacolod, Lanao del Norte

Sir:

We are pleased to transmit the Annual Audit Report of the Bacolod Water District, Bacolod, Lanao del Norte, for the Calendar Year ended December 31, 2012, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was aimed at ascertaining the propriety of financial transactions, compliance by the Corporation with prescribed laws, rules and regulations, the accuracy of financial records and reports and ultimately the fairness of presentation of the financial statements. Further, the audit was conducted in accordance with the generally accepted auditing standards and we believe that it provides reasonable basis for the result of the audit.

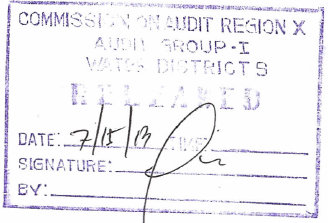
The report consists of four (4) parts, Part I - Audited Financial Statements, Part II - Comments and Observations, Part III - Status of Prior Years’ Audit Recommendations and Part IV- the Annexes.

We will appreciate being informed of the actions taken on the recommendations, contained in the report, within sixty (60) days from the date of receipt thereof.

We acknowledge the support and cooperation extended to our Audit Team by the officials and employees of Bacolod Water District.

Very truly yours,

 By Authority of the Chairperson:

****Republic of the Philippines



**COMMISSION ON AUDIT**

Regional Office No. X

Cagayan de Oro City

**OFFICE OF THE REGIONAL DIRECTOR**

July 15, 2013

**The Chairman**

**Board of Directors**

Bacolod Water District

Bacolod, Lanao del Norte

Sir:

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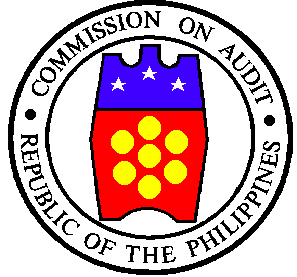
We will appreciate being informed of the actions taken on the recommendations, contained in the report, within sixty (60) days from the date of receipt thereof.

We acknowledge the support and cooperation extended to our Audit Team by the officials and employees of Bacolod Water District.

Very truly yours,

 By Authority of the Chairperson:

Republic of the Philippines



**COMMISSION ON AUDIT**

Regional Office No. X

Cagayan de Oro City

**OFFICE OF THE SUPERVISING AUDITOR**

**Audit Group I -Water Districts**

May 31, 2013

**Ms. Lynn S.F. Sicangco**

Regional Director

Commission on Audit

Regional Office No. X

Cagayan de Oro City

Madam:

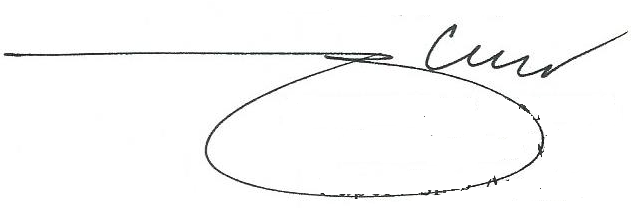
In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we audited the accounts and operations of **Bacolod Water District, Bacolod, Lanao del Norte** for the year ended December 31, 2012.

The audit was conducted to ascertain the propriety of the agency’s financial transactions; its compliance with laws, rules and regulations; and the efficiency of its operations. It was also conducted to ascertain the accuracy of the financial records and reports and the fairness of presentation of the financial statements.

Our report consists of four (4) parts, namely, Part I – Audited Financial Statements, Part II – Findings and Recommendations, Part III – Status of Implementation of Prior Years’ Audit Recommendations and Part IV - Annexes. The observations and recommendations were communicated to Management thru Audit Observation Memorandum and discussed with management officials and staff. Their comments are included in the appropriate portion of this report.

There is reasonable assurance that the financial statements/records/reports are free of material misstatements and are prepared in accordance with Philippine Financial Reporting Standards (PFRS)/accounting principles generally accepted in the Philippines.

Our audit was conducted in accordance with the Philippine Standards on Auditing (PSA) and we believe that the audit evidence we have obtained provides reasonable basis for our audit opinion/report.



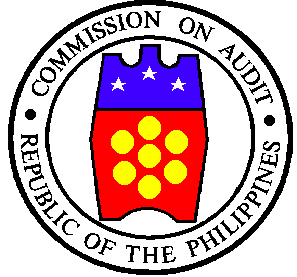
Very truly yours,

**EDWIN GAA CANIOS**

State Auditor V

Supervising Auditor

Republic of the Philippines



**COMMISSION ON AUDIT**

Regional Office No. X

Cagayan de Oro City

**OFFICE OF THE AUDIT TEAM LEADER**

**Team 6, Audit Group I – Water Districts**

May 30, 2013

MEMORANDUM for –

**The Supervising Auditor**

Audit Group I-WATER DISTRICTS

COA - Regional Office No. X

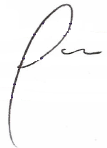
Cagayan de Oro City

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, we conducted a financial audit on the accounts and operations of the **Bacolod Water District**, Bacolod, Lanao del Norte for the year ended December 31, 2012.

The audit was conducted to ascertain the propriety of the financial transactions and determine the extent of compliance of the agency to prescribed rules and regulations. It was also made to ascertain the accuracy of the financial records and reports, as well as the fairness of the presentations of the financial statements.

Our attached report consists of four parts, Part I - Audited Financial Statements, Part II - details of our significant Comments and Observations which were discussed with concerned management officials and staff during the exit conference held on May 23, 2013, Part III - Status of Implementation of Prior Year’s Audit Recommendations, and Part IV - Annexes.

There is reason to believe that the financial statements are not free of misstatements which, however, are not material enough to conclude that the financial condition of the Bacolod Water District as of December 31, 2012 and the results of its operations are not fairly presented.

Our audit was conducted in accordance with generally accepted state auditing standards and we believe that it provides reasonable basis for the results of the audit.

**REMY U. PAHUYO**

State Auditor II

Audit Team Leader

**EXECUTIVE SUMMARY**

**INTRODUCTION**

Bacolod Water District (BWD) was formed on May 23, 1994 by virtue of Sangguniang Bayan Resolution No. 225. As a consequence, it inherited from the local government the water system which was constructed by NAWASA in 1976. The District's Certificate of Conditional Conformance (CCC) numbered 543 was subsequently issued by the Local Water Utilities Administration (LWUA) on December 6, 1994.

All Local Water Districts in the Philippines were declared as Government-Owned and Controlled Corporations (GOCCs) with original charter (PD No. 198), in a case decided by the Supreme Court on September 13, 1991 docketed as GR No. 95237-38 entitled “*Davao City Water District, et al. vs. Civil Service Commission, et al.”*

**HIGHLIGHTS OF FINANCIAL OPERATIONS**

The total assets, liabilities and government equity as of December 31, 2012 were P27,268,799.02, P23,339,383.31 and P3,929,415.71, respectively. An increase of 0.93% in assets, decrease of 1.14%in liabilities and increase of 15.32%in government equity was noted over last year’s financial position of P27,018,510.28, P23,608,465.12 and P3,407,545.16, respectively.

For the current year, the Water District generated a total income ofP8,609,208.14 from waterworks system, other businesses, fines and penalties, interest and miscellaneous income. An increase of P996,066.54or 13.08% was noted compared to previous year’s income of P7,613,141.60.

**SCOPE OF AUDIT**

An audit was conducted on the accounts and operations of Bacolod Water District, Bacolod, Lanao del Norte for the Calendar Year 2012.

The audit consisted of testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, and the application of the other audit procedures considered necessary under the circumstances.

It was also made to determine whether the district’s financial statements present fairly its financial position and results of operations and cash flows, and whether applicable laws, rules and regulations were followed. Further, it was also conducted to determine whether the agency managed and utilized its resources economically, efficiently and effectively in the implementation of its programs, projects and activities.

**STATE AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS**

The Auditor rendered a Qualified Opinion on the financial position of the Bacolod Water District, as of December 31, 2012 and the results of its operations and cash flows for the year then ended, as presented in the financial statements accompanying this Report.

**SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS**

The following are the summary of significant findings and recommendations noted in the evaluation of the agency’s operations. The audit findings and recommendations were officially communicated through Audit Observation Memorandum (AOMs). The agency’s comments were incorporated in the report.

1. The book value of the Utility Plant In-Service (UPIS) account as of December 31, 2012 is overstated due to inclusion of an idle parcel of land amounting to P432,900.00. Moreover, the property was not securely enclosed with fence and no signage was placed indicating that such property is owned by the district, hence, exposing the same to possible squatting or temporary use by outsiders.

We have recommended that management reclassify the idle land to Other Physical Property Account following the suggested adjusting entry below:

We have also recommended that management properly secure the property with fence and with a signage indicating that the subject property is owned by the Bacolod Water District.

2. Disbursements out of the Working Fund were not supported with complete documentation as required under COA Circular No. 2012-001 dated June 14, 2012, which prescribes the revised guidelines and documentary requirements for common government transactions, and Presidential Decree No. 1445.

We have recommended that management strictly comply with the documentary requirements to support payments of petty operating expenses out of the working fund as prescribed under COA Circular No. 2012-001.

3. The district did not provide an Allowance for Doubtful Accounts for CY 2012, contrary to Section 66 of the Manual on the New Government Accounting System (NGAS), Volume I, thus, overstating the trade receivables presented in the financial statements.

We have recommended that management provide an allowance for doubtful accounts to comply with the requirements in the NGAS.

4. The Members of the Board of Directors of Bacolod Water District (BWD) were paid Cash Gift and Year-End Financial Assistance/Christmas Bonus amounting to P39,400.00 without legal basis, contrary to the provisions of Executive Order No. 65 dated January 2, 2012, and LWUA Memorandum Circular No. 015-12 dated November 22, 2012.

We have recommended that management stop the payment of additional allowances and benefits to the Members of the Board of Directors.

We have also recommended to the management to refrain from making payments of incentives unless supported with sufficient legal basis.

5. The Officers and Employees of Bacolod Water District (BWD) were paid the Performance-Based Bonus (PBB) at P25,000.00 each or a total amount of P275,000.00 without first complying the requirements set by the Inter-Agency Task Force created under Administrative Order No. 25, dated December 21, 2011.

We have recommended that management submit all the requirements and documents stipulated to the Inter-Agency Task Force.

We have also recommended to the management to refrain from granting Performance-Based Bonus to officers and employees unless the requirements stipulated are all complied with.

6. Reimbursement of expenses for meals and snacks of the District were not supported with complete documentation as required under Presidential Decree No. 1445, and COA Circular No. 2012-001 dated June 14, 2012, which prescribes the revised guidelines and documentary requirements for common government transactions.

We have recommended that management strictly comply with the documentary requirements to support reimbursements of meals and snacks as prescribed under P.D. 1445 and COA Circular No. 2012-001.

7. The district’s existing Driver’s Trip Ticket is not the prescribed form as required under COA Circular No. 75-6, dated November 7, 1975.

We have recommended that management use the prescribed form of the driver’s trip ticket in compliance with COA Circular No. 75-6. Prepare two (2) copies of the driver’s trip ticket, in which one copy shall be submitted to the office of the auditor together with the disbursement voucher to support payment of diesel/gasoline.

8. Several properties amounting to P369,573.31 determined to be unserviceable were still included in the UPIS Accounts due to the District’s failure to request for disposal/condemnation, resulting to an overstatement of the UPIS account, contrary to Section 79 of P.D. 1445 and COA Circular No. 86-264, dated October 16, 1986.

We have recommended that management require the Inventory/Appraisal Committee to conduct and complete the inventory taking and prepare the Inventory and Inspection Report of Unserviceable Property and properly dispose the unserviceable properties and equipment in accordance with the above-cited rules and regulations.

9. Copies of contracts and purchase orders for procurements of various supplies and materials were not submitted to the Auditor within five (5) days from its consummation, thus, the needed review to determine its compliance with legal, auditorial and technical requirements was not made.

We have recommended that management regularly furnish copies of contracts and purchase orders of various procurements of goods and infrastructure projects to enable the assigned auditor to conduct the necessary legal and auditorial reviews as well as future reference to COA-Technical Services Office in the conduct of technical review and inspection.

We have also recommended the prompt submission of the requested contracts including its complete supporting documents before the implementation of any project and make the necessary request for inspection of COA engineer upon completion of projects prior to its final payment.

10. The retention money representing 10% of every progress payments made, has been fully released to the contractor even without the completion and final acceptance of the works, contrary to Item 6 of Annex E of the Revised IRR of R.A. 9184, thus, the contractor of the project “Construction of the Water Supply System of Bacolod Water District” was overpaid by P246,103.35 as the completion of the unfinished item in the approved Program of Work was implemented by administration.

We have recommended that management strictly adhere to the provisions of the Revised IRR of R.A. 9184 as regards the release of the 10% retention money.

We have also recommended to immediately demand from the contractor King Josum Construction and Plumbing Works the amount of overpayment of P246,103.35, otherwise, file appropriate charges against the said contractor.

11. Tax withheld from the contractor for every billing made of the NLIF project amounting to P245,247.10 was not fully recorded in the books of accounts and was not fully remitted to the Bureau of Internal Revenue contrary Section 112 of P.D. 1445 and to BIR Revenue Regulations No. 2-98, dated April 17, 1998.

We have recommended that management strictly adhere to the provisions of Section 112 of PD 1445 for fair presentation of the financial statements, and to remit to the BIR the unremitted amount representing the tax withheld from the contractor in compliance with BIR Revenue Regulations No. 2-98, dated April 17, 1998.

We have also recommended to the management to effect the necessary adjusting entries of the unrecorded “Due to BIR” account.

**STATUS OF IMPLEMENTATION OF PRIOR YEAR’S AUDIT RECOMMENDATIONS**

Of the four audit recommendations contained in the Annual Audit Report of the Water District for the Calendar Year 2011, one was partially implemented, one was ongoing, and two were not implemented.

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**PART I – AUDITED FINANCIAL STATEMENTS**

Republic of the Philippines



**COMMISSION ON AUDIT**

Regional Office No. X

Cagayan de Oro City

**INDEPENDENT AUDITOR’S REPORT**

**The Chairman**

**Board of Directors**

Bacolod Water District

Bacolod, Lanao del Norte

We have audited the accompanying financial statements of the Bacolod Water District, which comprise the balance sheet as of December 31, 2012 and the statements of income and cash flows for the year ended, and a summary of significant accounting policies and other explanatory notes.

*Management’s Responsibility for the Financial Statements*

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements and are free from material misstatement, whether due to fraud error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor’s Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis of our audit opinion.

*Basis for Qualified Audit Opinion*

As discussed in Part II of the report, the book value of the Utility, Plant In-Service (UPIS) account was overstated by P432,900.00 and P369,573.31,respectively, due to inclusion of an idle parcel of land and unserviceable properties and equipment.

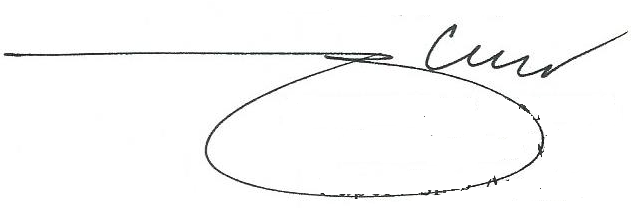
*Qualified Opinion*

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Bacolod Water District, Bacolod, Lanao del Norte as of December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Philippines.

*Other Matters*

The exit conference for the results of the financial and compliance audit of the CY 2012 operations was conducted on May 23, 2013.

COMMISSION ON AUDIT

 By:

**EDWIN GAA CANIOS**

State Auditor V Supervising Auditor

May 31, 2013

Republic of the Philippines

**BACOLOD WATER DISTRICT**

Bacolod, Lanao del Norte

TIN 004-367-022

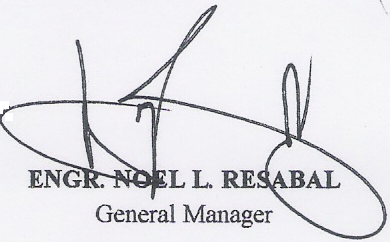
CCC No. 543

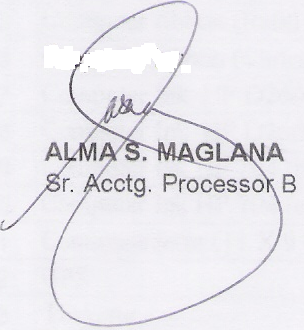
**STATEMENT OF MANAGEMENT RESPONSIBILITY FOR**

**FINANCIAL STATEMENTS**

The Management of Bacolod Water District (BWD), Bacolod, Lanao del Norte is responsible for all the information and representations contained in the accompanying Balance Sheet as of December 31, 2012and the related Statement of Income and Expenses and Cash Flows for the year then ended. The financial statements have been prepared in conformity with generally accepted state accounting principles and reflect amounts that are based on best estimates and informed judgment of the management with an appropriate consideration to materiality.

In this regard, Management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.





|  |  |  |
| --- | --- | --- |
| **BACOLOD WATER DISTRICT** | | |
| **Balance Sheet** | | |
| **As of December 31, 2012** | | |
| *(With comparative figures for CY 2011)* | | |
|  |  |  |
|  | ***2012*** | ***2011*** |
| **ASSETS** |  |  |
| **Current Assets** |  |  |
| Cash - Collecting Officers | P 23,491.10 | P 14,606.20 |
| Cash in Bank -Local Currency, Current Account *(Note 1)* | 375,252.29 | (1,504.66) |
| Cash in Bank - Local Currency, Savings Account | 816,511.70 | 808,831.22 |
| Cash in Bank - Local Currency, Time Deposits | 54,735.84 | 54,493.32 |
| Cash in Bank - NLIF | 209,696.58 | 978,122.65 |
| Accounts Receivable*(Note 2)* | 744,463.28 | 649,302.00 |
| Receivable - Disallowances/Charges*(Note 4)* | 440.00 | 2,440.00 |
| Other Receivables *(Note 5)* | 445,621.18 | 334,982.28 |
| Less: Allowance for DoubtfulAccounts*(Note 7)* | (73,861.80) | (73,861.80) |
| Merchandise Inventory | 194,164.72 | 246,135.28 |
| Prepaid Insurance | 5,475.14 | 4,661.03 |
| **Property, Plant and Equipment***(Note 6)* |  |  |
| Land | 493,921.00 | 493,921.00 |
| Other Structures | 628,673.08 | 628,673.08 |
| Office Equipment | 392,750.23 | 380,646.23 |
| Other Office Equipment, Furniture and Fixtures | 17,151,501.27 | 16,772,054.21 |
| Machineries | 994,445.11 | 994,445.11 |
| Communication Equipment | 104,288.13 | 99,194.13 |
| Other Machineries and Equipment | 136,257.84 | 133,257.84 |
| Motor Vehicles | 467,778.00 | 467,778.00 |
| Other Transportation Equipment | - | 26,578.00 |
| Less: Accumulated Depreciation | (5,494,188.78) | (4,822,511.86) |
| Agency Assets | 9,597,383.11 | 8,826,267.02 |
| **TOTAL ASSETS** | **P 27,268,799.02** | **P 27,018,510.28** |
|  |  |  |
| **LIABILITIES AND EQUITY** |  |  |
| **LIABILITIES** |  |  |
| **Current Liabilities** |  |  |
| Accounts Payable*(Note 8)* | P 198,638.00 | P 229,259.92 |
| Accrued Expenses Payable*(Note 12)* | 139,714.01 | 6,603.00 |
| Due to Other NGAs*(Note 9)* | 47,271.27 | 46,839.34 |
| Due to Other GOCCs*(Note 10)* | 82,265.61 | 71,179.61 |
| Guaranty Deposits Payable | 38,099.00 | 38,099.00 |
| **Non-Current Liabilities***(Note 11)* |  |  |
| Loans Payable - Domestic | 11,569,897.42 | 11,952,986.25 |
| Loans Payable -NLIF | 11,263,498.00 | 11,263,498.00 |
| **Deferred credits** |  |  |
| Others | - | 2,500.00 |
| **Equity** |  |  |
| Government Equity |  |  |
| Restricted Capital |  |  |
| Donated Capital | 325,542.96 | 325,542.96 |
| Retained Earnings/(Deficit) | 3,603,872.75 | 3,082,002.20 |
| **Total Equity** | **3,929,415.71** | **3,407,545.16** |
| **TOTAL LIABILITIES AND EQUITY** | **P 27,268,799.02** | **P 27,018,510.28** |
|  |  |  |
| *(See accompanying Notes to Financial Statements)* | | |
| **BACOLOD WATER DISTRICT** | | |
| **Statement of Income and Expenses** | | |
| **For the Year Ended December 31, 2012** | | |
| *(With comparative figures for CY 2011)* | | |
|  |  |  |
|  | **2012** | **2011** |
|  |  |  |
| **INCOME** |  |  |
| Income from Waterworks Systems | 7,868,742.30 | 7,002,730.75 |
| Other Business | 153,095.00 | 158,301.00 |
| Fines and Penalties | 304,224.85 | 266,338.93 |
| Interest | 7,114.13 | 12,190.94 |
| Miscellaneous | 276,031.86 | 173,579.98 |
| **TOTAL INCOME** | 8,609,208.14 | 7,613,141.60 |
|  |  |  |
| **Expenses** |  |  |
| **Personal Services** |  |  |
| Salaries and Wages | 1,922,807.00 | 1,822,256.00 |
| Other Compensation | - | - |
| Personnel Benefits Contributions | 273,216.99 | 265,441.59 |
| Other Personnel Benefits | 1,118,229.27 | 895,056.38 |
| **Maintenance and Other Expenses** |  |  |
| Traveling | 106,294.16 | 99,063.00 |
| Training and Scholarship | 37,330.00 | 71,900.00 |
| Supplies and Materials | 68,156.95 | 92,671.90 |
| Utility | 1,120,503.46 | 1,007,102.53 |
| Communication | 56,146.75 | 54,578.34 |
| Membership Dues and Contribution to Organizations | 21,752.22 | - |
| Advertising | 81,342.50 | 122,416.34 |
| Printing and Binding | 56,095.00 | 68,495.63 |
| Rent | 50,400.00 | 50,400.00 |
| Representation | 56,060.50 | 83,860.80 |
| Repairs and Maintenance | 419,213.19 | 312,057.90 |
| Subsidies and Donations | 14,000.00 | 27,002.22 |
| Confidential, Intelligence, Extraordinary and Misc. | 107,600.00 | - |
| Taxes, Insurance Premiums and Other Fees | 183,690.40 | 159,137.25 |
| Depreciation | 671,676.92 | 598,725.28 |
| Others | 141,643.50 | 144,247.89 |
| **Financial Expenses** |  |  |
| Interest(Loan Interest) | 1,390,079.17 | 1,438,914.04 |
| Others |  |  |
| **TOTAL EXPENSES** | 7,896,237.98 | 7,313,327.09 |
| **Net income (loss) Before Tax** | **712,970.16** | **299,814.51** |
| Less: Provision for (benefit from) Income Tax | - | - |
| **NET INCOME AFTER TAX** | **P 712,970.16** | **P 299,814.51** |
|  |  |  |

|  |  |  |
| --- | --- | --- |
| **BACOLOD WATER DISTRICT** | | |
| **Statement of Cash Flows** | | |
| **For the Year Ended December 31, 2012** | | |
| *(With comparative figures for CY 2011)* | | |
|  |  |  |
|  | **2012** | **2011** |
| **Cash Flows from Operating Activities** |  |  |
| **Cash Inflows:** |  |  |
| Service Income | 8,199,482.67 | 7,338,673.73 |
| Business Income | 0.00 | 0.00 |
| Other Income | 722,533.80 | 606,091.25 |
| Other Receipts | 27,352.44 | 53,179.59 |
| Total Cash Inflows | 8,949,368.91 | 7,997,944.57 |
| **Cash Outflows:** |  |  |
| Personal Services | 1,922,807.00 | 1,822,256.00 |
| Maintenance and Other Operating Expenses | 3,580,370.84 | 2,476,989.16 |
| Interest Expense | 1,390,079.17 | 1,438,914.04 |
| Purchase of Inventories | 334,700.82 | 316,808.95 |
| Payables | 0.00 | 0.00 |
| Other Disbursements | 2,096,272.30 | 1,608,976.07 |
| Total Cash Outflows | 9,324,230.13 | 7,663,944.22 |
| ***Net Cash from Operating Activities*** | ***(374,861.22)*** | ***334,000.35*** |
|  |  |  |
| **Cash Flows from Investing Activities** |  |  |
| **Cash Inflows:** |  |  |
| Sale of Property, Plant and Equipment | - | - |
| Sale of Investments | - | - |
| Proceeds from Matured Investment | - | - |
| Interest and Dividends | - | - |
| Total Cash Inflows |  |  |
| **Cash Outflows:** |  |  |
| Investments | - | - |
| Purchase of Property, Plant and Equipment | - | 10,471,810.18 |
| Grant of Loans | - | - |
| Total Cash Outflows | - | 10,471,810.18 |
| ***Net cash from investing activities*** | ***-*** | ***(10,471,810.18)*** |
|  |  |  |
| **Cash Flows from Financing Activities** |  |  |
| **Cash Inflows:** |  |  |
| Acquisition of Loan | - | 5,793,120.00 |
| Total Cash Inflows | - | 5,793,120.00 |
| **Cash Outflows:** |  |  |
| Loan Amortization | - | - |
| Retirement/Redemption of Debt Securities | - | - |
| Financial Expenses | - | - |
| Total Cash Outflows | - | - |
| ***Net Cash from Financing Activities*** | ***-*** | ***5,793,120.00*** |
| **Net increase in Cash and Cash Equivalents** | **P (374,861.22)** | **P (4,344,689.83)** |
| **Cash and Cash Equivalents at Beg. of Period** | **1,854,548.73** | **6,199,238.56** |
| **Cash and Cash Equivalents at End of Period** | **P 1,479,687.51** | **P 1,854,548.73** |

|  |  |  |
| --- | --- | --- |
| **BACOLOD WATER DISTRICT** | | |
| **Statement of Changes in Government Equity** | | |
| **For the Year Ended December 31, 2012** | | |
| *(With comparative figures for CY 2011)* | | |
|  |  |  |
|  | **2012** | **2011** |
|  |  |  |
| **Government Equity** |  |  |
| Balance at Beginning of Period |  |  |
| Additions (Deductions) |  |  |
|  |  |  |
| ***Balance at End of Period*** | ***-*** | ***-*** |
|  |  |  |
| **Restricted Capital** |  |  |
| Balance at Beginning of Period |  |  |
| Additions (Deductions) |  |  |
|  |  |  |
| ***Balance at End of Period*** | ***-*** | ***-*** |
|  |  |  |
| **Donated Capital** |  |  |
| Balance at Beginning of Period | 325,542.96 | 310,542.96 |
| Additions (Deductions) | - | 15,000.00 |
|  |  |  |
| ***Balance at End of Period*** | ***325,542.96*** | ***325,542.96*** |
|  |  |  |
| **Retained Earnings** |  |  |
| Balance at Beginning of Period | 3,082,002.20 | 2,784,979.23 |
| Changes During the Period | - | - |
| Overstatement | - | (31.01) |
| Franchise Tax 2005 | (109,169.37) | - |
| Erroneous Entry | (150.00) | (2,760.53) |
| Erroneous Entry | (76.69) | - |
| Income Tax CY2005 | (81,703.55) | - |
| Net Income/(Loss) | 712,970.16 | 299,814.51 |
|  |  |  |
| ***Balance at End of Period*** | ***3,603,872.75*** | ***3,082,002.20*** |
|  |  |  |
| **TOTAL EQUITY** | **P 3,929,415.71** | **P 3,407,545.16** |

**NOTES TO FINANCIAL STATEMENTS**

**Brief Historical Background**

Bacolod Water District (BWD) was formed on May 23, 1994 by virtue of Sangguniang Bayan Resolution No. 225. As a consequence, it inherited from the local government the water system which was constructed by NAWASA in 1976. The District's Certificate of Conditional Conformance (CCC) numbered 543 was subsequently issued by the Local Water Utilities Administration (LWUA) on December 6, 1994.

All Local Water Districts in the Philippines were declared as Government-Owned and Controlled Corporations (GOCCs) with original charter (PD No. 198), in a case decided by the Supreme Court on September 13, 1991 docketed as GR No. 95237-38 entitled “*Davao City Water District, et al. vs. Civil Service Commission, et al.”*

**Summary of Significant Accounting Policies:**

* The Water District follows the Commercial Practices Manual (CPM) for Local Water District prescribed by the Local Water Utilities Administration (LWUA).
* Revenue and Expense - The accrual method of accounting is adopted for both income and expense.
* Disbursement Procedure - In recording expenditures the Voucher System is followed in which vouchers payable is credited prior to payment and debited when paid.
* Utility Plant in Service (UPIS)

Utility Plant in Service is recorded at acquisition costs less estimated accumulated depreciation. Straight-line method of accounting over the estimated life of the assets is being adopted in the computation of depreciation.

**1. Cash in Bank – Local Currency**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
| ***Particulars*** | ***Account Number*** | ***Balance*** |
| General Fund | C/A #0322106653 | P 375,252.34 |
| Reserve Fund | S/A #0321116515 | 816,511.70 |
| Time Deposit | S/A #0323001340 | 54,735.84  -------------------  **P 1,246,499.88**  **===========** |

**2. Accounts Receivable –** This account includes all amounts due on open accounts arising from the services rendered to customers for water sales and incidental services.

**3. Installment Sales Receivable –** This account includes all amounts due on open accounts arising from the services rendered to new service connections and loan materials

**4. Receivable-Disallowances/Charges –** This account includes the following:

|  |  |  |
| --- | --- | --- |
| ND No. BWD 2007-01 (CY2006) | COLA | **P 440.00**  ======== |

**5. Other Receivable –** This account includes the following:

|  |  |
| --- | --- |
| Betty Bago | **P 32,171.63**  ======== |

**6. Property, Plant and Equipment –** This account includes the following:

|  |  |  |  |
| --- | --- | --- | --- |
| ***Account*** | ***Cost*** | ***Accumulated Depreciation*** | ***Net***  ***Book Value*** |
| Lot | P 493,921.00 | P 0.00 | P 493,921.00 |
| Buildings-Other Structures | 628,673.08 | 329,178.25 | 299,494.83 |
| Furniture and Equipment | 392,750.23 | 215,189.85 | 177,560.38 |
| Machineries | 994,445.11 | 310,438.29 | 684,006.82 |
| Communication Equipment | 104,288.13 | 92,463.27 | 11,824.86 |
| Others-Tools, Shops and Garage | 136,257.84 | 105,751.25 | 30,506.59 |
| Transportation Equipment | 467,778.00 | 95,666.02 | 372,111.98 |
| Others | 17,151,501.27  --------------------- | 4,345,501.85  ------------------- | 12,805,999.42  --------------------- |
| **TOTAL** | **P 20,369,614.66**  **============** | **P 5,494,188.78**  **===========** | **P 14,875,425.88**  **============** |

**7. Allowance for Bad Debts –** This account includes all amounts of disconnected concessionaires:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Customers | |  | P 54,123.85 | |
| Others | |  | 19,737.95  ------------------ | |
| **Total** | |  | **P 73,861.80**  **===========** | |
|  | |  |  | |
|  | |  |  | |
| **CUSTOMERS:** | | |  | |
| ***CONCESSIONAIRES*** | | | ***AMOUNT*** | |
| Balongkit, Arnold | | | P 835.15 | |
| Palubon, Benita | | | 700.8 | |
| Dolorican, Juanita | | | 247.50 | |
| Pangantijon, Judith | | | 607.40 | |
| Dolorican, Manolo | | | 1,744.80 | |
| Magtuba, Jesus | | | 570.95 | |
| Galabin, Marcelino | | | 2,357.70 | |
| Ceballos, Manuel | | | 525.50 | |
| Lao, Arnold | | | 720.25 | |
| Dandoy, Edgar | | | 612.00 | |
| Gongob, Rocolo | | | 2,137.75 | |
| Manginsay, Eduardo | | | 374.70 | |
| Bernales, Randolp | | | 489.30 | |
| Taping, Felomina | | | 91.30 | |
| Lao, FortunatoJr | | | 53.90 | |
| P.W.D.A | | | 1,942.30 | |
| Manginsay, Joventino | | | 3,695.00 | |
| TAbamo, Lourdes | | | 540.00 | |
| Baja, Bonifacia | | | 2,309.20 | |
| Palacio, Juanito Jr. | | | 630.60 | |
| Canillo, Roque | | | 2,990.40 | |
| Canda, Rita | | | 1,952.60 | |
| Caporte, Lydia | | | 1,978.60 | |
| Jaictin, Rizza | | | 170.60 | |
| Matu-od, Rufo | | | 1,000.55 | |
| Tamala, Merlyn | | | 1,670.40 | |
| Marcellones, Gloria | | | 801.95 | |
| Eguac, Zusima | | | 3,207.70 | |
| Manginsay, Candida | | | 1,554.20 | |
| Caporte, Alejandra | | | 1,569.00 | |
| Buhian, Gleen | | | 1,010.35 | |
| Marcellones, Rita | | | 786.20 | |
| Rodriguez, George Dewey | | | 105.10 | |
| Albon, Viola | | | 808.30 | |
| Tamala, Rose | | | 524.20 | |
| Maghilom, Edmund | | | 930.75 | |
| Palahang, Luciano | | | 797.70 | |
| Duhaylungsod, Efimacio | | | 1,306.00 | |
| Caballo, Primitivo | | | 249.30 | |
| Capritcho, Arnold | | | 999.60 | |
| Valdehueza, Jesila | | | 395.00 | |
| Duhaylungsod, Carolina | | | 1,537.65 | |
| Abaga, Isabelo | | | 415.10 | |
| Balane, Remedios | | | 70.00 | |
| BAgnuran, Manuel | | | 1,396.70 | |
| Cabante, Rason | | | 2,060.85 | |
| Lao, GerondioSr | | | 1,338.00 | |
| Lamak Corp | | | 1,010.95 | |
| **TOTAL** | | | **P 54,123.85** | |

|  |  |
| --- | --- |
| **OTHERS:** |  |
| ***CONCESSIONAIRES*** | | ***AMOUNT*** |
| Galabin, Marcelino | P 320.80 |
| Ceballos, Manuel | 693.20 |
| Jaictin, Rizza | 831.60 |
| Dandoy, Edgar | 398.80 |
| Marcellones, Gloria | 1,688.80 |
| Manginsay, Eduardo | 1,456.00 |
| Manginsay, Candida | 927.40 |
| Caporte, Lydia | 721.65 |
| Buhian, Gleen | 1,514.25 |
| Bagnuran, Manuel | 1,084.35 |
| Rodriguez, George Dewey | 675.00 |
| Moralde, Berto | 1,753.50 |
| Palahang, Luciano | 1,764.85 |
| TAmala, Merlyn | 550.00 |
| Valdehueza, Jesila | 3,084.40 |
| Caporte, Alejandra | 1,571.40 |
| Duhaylungsod, CArolina | 443.10 |
| Albon, Viola | 258.85 |
| **TOTAL** | **P 19,737.95** |

**8. Accounts Payable –** This account includes:

|  |  |
| --- | --- |
| Caraga Plumbing Concepts | P 32,250.00 |
| MIE Water Systems | 71,178.00 |
| New Interlock | 6,210.00 |
| FSWT Corporation | 89,000.00 |
| **TOTAL** | **P 198,638.00** |

**9. Due to National Govt. Agencies –** This account composes the following:

|  |  |
| --- | --- |
| Withholding Taxes Payable | P 6,860.80 |
| Withholding Taxes Payable-Supplier | 2,627.29 |
| Commission on Audit | 37,783.15 |
| **TOTAL** | **P 47,271.24** |

**10. Due to Government Owned and/or Controlled Corporation –** This account composes the following:

|  |  |
| --- | --- |
| GSIS Payable | P 62,109.72 |
| PHILHEALTH Payable | 3,550.00 |
| PAG-IBIG Payable | 16,605.89 |
| **TOTAL** | **P 82,265.61** |

**11. Loans Payable –** This account composes the following

|  |  |  |  |
| --- | --- | --- | --- |
| *Loan Type* | *Interest Rate* | *Amortization* | *Balance* |
| 3-766 | 8.50% | 22,438.00 | P 2,107,633.42 |
| 4-2258A | 12.50% | 105,525.00 | 8,116,554.00 |
| 4-2258B | 12.50% | 16,690.00 | 1,321,262.00 |
| 10-0083 | 0.00% | 6,111.00 | 24,448.00 |
| **Sub-Total** |  |  | **P 11,569,897.42** |
| NLIF |  |  | P 11,263,498.00 |
| **TOTAL** |  |  | **P 22,833,395.42** |

**12. Other Payables –** This account composes the following:

|  |  |
| --- | --- |
| CQ Printing Press | P 44,750.00 |
| R. Uy Shell Station | 3,516.00 |
| PLDT-MARATEL | 3,423.56 |
| LANECO | 88,024.45 |
| **TOTAL** | **P 139,714.01** |

**PART II – FINDINGS AND RECOMMENDATIONS**

**DETAILEDFINDINGS AND RECOMMENDATIONS**

**1. The book value of the Utility Plant In-Service (UPIS) account as of December 31, 2012 is overstated due to inclusion of an idle parcel of land amounting to P432,900.00. Moreover, the property was not securely enclosed with fence and no signage was placed indicating that such property is owned by the district, hence, exposing the same to possible squatting or temporary use by outsiders.**

The chart of accounts in the Commercial Practices Manual (CPM) for Water Districts prescribed by Local Water Utilities Administration (LWUA) provides that **Utility Plant in-Service** includes properties of relatively permanent character that are used in the normal utility operations. Likewise, **Other Physical Property** (classified as Investment and Fund Accounts) consists of land, structures, and equipment owned by the District but are not being used or intended to be used in its operations.

Review of the Schedule of UPIS as of December 31, 2012 as provided by the Bookkeeper, revealed that a parcel of land was purchased on June 2009 per Disbursement Voucher No. 2009-06-030, containing an area of 666 square meters under Transfer Certificate of Title (TCT) No. T-27,436, located at Poblacion, Bacolod, Lanao del Norte***(Annex A)*** amounting to P432,900.00. The said property has remained unused since its acquisition. According to the management, the land will be used as the future site of the district’s office building.

As disclosed by the General Manager, the subject parcel of land has been idle since CY 2009. Further, it was observed that it was not securely enclosed with fence and without a signage that such property is owned by the district, thereby exposing the government property to possible squatting or temporary use by outsiders.

.

As a result of the misclassification, the Utility Plant in-Service account was overstated by P432,900.00 as of Calendar Year 2012.

**We have recommended that management reclassify the idle land to Other Physical Property Account following the suggested adjusting entry below:**

**Debit: Other Physical Property P 432,900.00**

**Credit: PPE-Land P 432,900.00**

**Wehave also recommended that management properly secure the property with fence and with a signage indicating that the subject property is owned by the Bacolod Water District.**

During the exit conference and in reply to our Audit Observation Memorandum (AOM), the management committed to reclassify the idle land to Other Physical Property account and to secure the property with a fence and a signage of the district.

**2. Disbursements out of the Working Fund were not supported with complete documentation as required under COA Circular No. 2012-001 dated June 14, 2012, which prescribes the revised guidelines and documentary requirements for common government transactions, and Presidential Decree No. 1445.**

Section 4.6 of Presidential Decree No. 1445 provides that claims against government funds shall be supported with complete documentation.

Further, Section 1.2.2 of COA Circular No. 2012-001 dated June 14, 2012 prescribes the documentary requirements for the liquidation of petty cash funds.

The district maintained a working fund amounting to ~~P~~5,000.00 which was utilized for payments of petty operating expenses of the district.

Review of sampled transactions on payments of petty operating expenses out of the working fund disclosed deficiencies as to the documentary requirements in the replenishments of working fund.

It was noted that payments for purchases of office supplies and materials for maintenance were not supported with the following:

1. Duly approved Purchase Request (PR);
2. Certificate of Inspection and Acceptance;
3. Report of Waste Materials in case of replacement/repair

Only bills, receipts, sales invoices and R.E.R.s were attached to the working fund voucher.

The absence of documentary requirements to support payments out of the working fund is a clear indication of lapses as to administrative controls in compliance with Section 4 of P.D. No. 1445 and COA Circular No. 2012-001.

**We have recommended that management strictly comply with the documentary requirements to support payments of petty operating expenses out of the working fund as prescribed under COA Circular No. 2012-001.**

During the exit conference, the management commented that they had already implemented the recommendation made by the audit team and has already complied all the requirements effective April 2013 transactions.

**3. The district did not provide an Allowance for Doubtful Accounts for CY 2012, contrary to Section 66 of the Manual on the New Government Accounting System (NGAS), Volume I, thus, overstating the trade receivables presented in the financial statements.**

Section 66 of the Manual on the New Government Accounting System (NGAS), Volume I, provides that trade receivables shall be valued at their face amounts minus, whenever appropriate, allowance for doubtful accounts. Bad Debts expense and/or any anticipated adjustments, which in the normal course of events will reduce the amount of receivables from the debtors to estimated realizable values, shall be set up at the end of the accounting period.

The Allowance for Doubtful Accounts shall be provided in an amount based on collectibility of receivable balances and evaluation of such factors as aging of the accounts, collection experiences of the agency, expected loss experiences and identified doubtful accounts.

The determination of bad debts expense shall be derived from computations based on percentages and aging of Accounts Receivable as follows:

*Age of Accounts Percentage*

1 - 60 days 1 %

61 -180 days 2 %

181 - 1 year 3 %

More than 1 year 5 %

The provision of an Allowance for Doubtful Accounts is also a requirement under the “conservatism” and “realization” concepts and principles of accounting.

Verification and review of the financial statements for the Calendar Year 2012 disclosed that the district did not provide for an Allowance for Doubtful Accounts in its books amounting to P23,808.45based on the total Accounts Receivable as of December 31, 2012 of P744,463.28.***(Annex B)***

Thus, Accounts Receivable account was not presented at its net realizable value as of the end of the year, affecting the overall fairness and reliability of the financial statements presentation.

**We have recommended that management provide an allowance for doubtful accounts to comply with the requirements in the NGAS.**

During the exit conference, the General Manager and the acting Bookkeeper commented that they will provide and allowance account effective immediately.

**4. The Members of the Board of Directors of Bacolod Water District (BWD) were paid Cash Gift and Year-End Financial Assistance/ Christmas Bonus amounting to P39,400.00 without legal basis, contrary to the provisions of Executive Order No. 65 dated January 2, 2012, and LWUA Memorandum Circular No. 015-12 dated November 22, 2012.**

Section 3 of Executive Order No. 65 dated January 2, 2012 provides the compensation structure of the Members of the Board of Directors of Local Water Districts, pursuant to Section 5 of Executive Order No. 24 (s. 2011) which states among others that:

*“The compensation of members of the Board of Directors shall have the following components:*

1. *xxx*
2. *xxx*
3. *xxx*
4. ***Salaries, Allowances, Benefits, and other Bonuses shall not be allowed*** *unless specifically authorized by law or Charter and approved by the President, provided that the total of the foregoing compensation and per diems shall not exceed the limits stipulated under Sections 4 and 5 hereof.*

Further, Paragraph C of the Local Water Utilities Administration (LWUA) Memorandum Circular No. 015-12, dated November 22, 2012, which prescribes the Revised Guidelines on the Compensation of Water District Directors and Other Benefits pursuant to EO No. 65, provides that the Year-End Financial Assistance and P5,000.00 Cash Gift is suspended until such time that appropriate clearance or approval from higher authority shall have been obtained.

Verification and review of disbursements for the Calendar Year 2012 of the water district disclosed payments of Cash Gift and Year-End Financial Assistance/Christmas Bonus to the Board of Directors in the total amount of **P39,400.00*(Annex C)***, summarized as follows:

|  |  |
| --- | --- |
| *Nature of Allowances* | *Amount* |
| Cash Gift | P 25,000.00 |
| Year-End Financial Assistance/ Christmas Bonus | 14,400.00  ----------------- |
| **TOTAL** | **P 39,400.00**  **==========** |

The above payments of additional allowances and benefits to the members of the Board of Directors were made without sufficient legal basis.

**We have recommended that management stop the payment of additional allowances and benefits to the Members of the Board of Directors.**

**We have also recommended to the management to refrain from making payments of incentives unless supported with sufficient legal basis.**

The General Manager in his reply to the Audit Observation Memorandum, and during the exit conference, commented and justified that they have paid the mentioned benefits for CY 2012 because there were savings of per diems intended for the Board of Directors since the board had conducted meetings only sixteen (16) times during the year, as against the maximum allowed meetings of twenty-four (24) times, or two (2) meetings per month. Further, before the receipt by the district of LWUA Memorandum Circular No. 15-12 dated November 22, 2012 suspending the payment of other benefits to the Board of Directors such as Year-end Benefits equivalent to two (2) meetings and P5,000.00 Cash Gift, the district has already made the payments of the same.

**5. The officers and employees of Bacolod Water District (BWD) were paid the Performance-Based Bonus (PBB) at P25,000.00 each or a total amount of P275,000.00 without first complying the requirements set by the Inter-Agency Task Force created under Administrative Order No. 25, dated December 21, 2011.**

The A.O. No. 25 Inter-Agency Task Force (IATF) has issued the various Memorandum Circular (MCs) to provide the guidelines on the implementation of Executive Order No. 80, dated July 20, 2012, which directs the adoption of Performance-Based Incentive System (PBIS) for government employees:

1. MC No. 2012-01, dated August 13, 2012;
2. MC No. 2012-02, dated October 16, 2012;
3. MC No. 2012-02A, dated October 31, 2012;
4. MC No. 2012-03, dated November 12, 2012;
5. MC No. 2012-04, dated December 7, 2012; and
6. MC No. 2012-05, dated January 14, 2013

Compliance with the criteria and requirements stipulated in the above-cited circulars is a pre-condition to the grant of the Performance-Based Bonus (PBB) for FY 2012.

The above circulars provide that to qualify for the Performance-Based Bonus (PBB), an agency covered by the Performance-Based Incentive System (PBIS) under Executive Order No. 80, dated July 20, 2012 must fulfill the following:

1. Meet all Good Governance Conditions set annually by the AO 25 Task force;

These are:

* *The establishment of a Transparency Seal;*
* *Posting of bid notices and awards on the website of Philippine Government Electronic Procurement System (PhilGEPS);*
* *Liquidation of all cash advances of officials and employees; and*
* *Establishment of a Citizen’s Charter or its equivalent.*

1. Achieve at least 90 percent of each performance target set for the agency;

* *Performance targets for their Major Final Outputs (MFOs), Support to Operations (STO) and General Administration and Support Services (GASS) submitted to Congress; and*
* *Priority Program targets agreed with the President under the five Key Result Areas (KRAs) of the Aquino Social Contract, under E.O. No. 43 s. 2011.*

1. Rank eligible bureaus (delivery units) and the individuals within them; and
2. Submit accomplishment reports on time.

Departments and Agencies shall submit their actual accomplishments of targets as well as the accomplishments of their component bureaus or delivery units to the AO25 Task Force. Failure to meet any of the PBB eligibility criteria within the deadline will render Departments and Agencies ineligible for the PBB in FY 2012. Bureaus or delivery units will be forced-ranked according to their accomplishment of targets and will be categorized under the following groups:

**Best Bureaus** (top 10 percent of ranked bureaus);

**Better Bureaus** (next 25 percent);

**Good Bureaus** (remaining 50 to 65 percent); and

**Poor Bureaus** (bureaus that failed to accomplish 90 percent of their targets).

Within the bureaus or delivery units which are ranked as Best, Better and Good Bureaus, employees will be ranked according to their actual individual performance and categorized under the following groups:

**Best Performers** (top 10 percent of ranked employees in a bureau),

**Better Performers** (next 25 percent) and

**Good Performers** (next 65 percent).

At the same time, individual employees who receive a rating of “Below Satisfactory” under the annual Performance Appraisal System of the Civil Service Commission will not receive any amount under the PBB. Meanwhile, employees in Poor Bureaus will not be eligible to receive any amount under the PBB, since their respective bureaus failed to meet the minimum performance criteria.

The amount of PBB will depend on the performance of each employee as well as the unit that he/she belongs to. The Best Performer from a Best Bureau will get a PBB of **P35,000**; the Better Performer from a Better Bureau will get **P13,500**; while the Good Performer from a Good Bureau will get **P5,000**. The minority of poor performers (employees in Poor Bureaus or those who get a Below Satisfactory rating in the Performance Appraisal System) will get no PBB.



Verification and review of disbursements of the water district for the Calendar Year 2012 disclosed payment of PBB to all officials and employees at a uniform rate of P25,000.00 each or a total amount of **P275,000.00. *(Annex D)***

The above payment of PBB was made without first complying the requirements set by the IATF under AO 25, hence, without sufficient legal basis.

**We have recommended that management submit all the requirements and documents stipulated to the Inter-Agency Task Force.**

**We have also recommended to the management to refrain from granting Performance-Based Bonus to officers and employees unless the requirements stipulated are all complied with.**

During the exit conference, the management commented that they will comply with the requirements and will follow the process set by the Inter-Agency Task Force created under A.O. No. 25 dated December 21, 2011.

**6. Reimbursement of expenses for meals and snacks of the District were not supported with complete documentation as required under Presidential Decree No. 1445, and COA Circular No. 2012-001 dated June 14, 2012, which prescribes the revised guidelines and documentary requirements for common government transactions.**

Section 4.6 of Presidential Decree No. 1445 provides that claims against government funds shall be supported with complete documentation.

Further, Section 1.2.3 of COA Circular No. 2012-001 dated June 14, 2012 prescribes the documentary requirements for the liquidation of petty cash funds.

Review of the sampled reimbursements for the cost of actual meals and snacks of the district, disclosed deficiencies as to the documentary requirements. It was noted that reimbursements were not supported with the following:

1. Duly approved Purchase Request (PR);
2. Certificate of Inspection and Acceptance;

Only Officials Receipts (O.R.s) and R.E.R.s were attached to the disbursement vouchers.

The absence of documentary requirements to support reimbursements of meals and snacks is a clear indication of lapses as to administrative controls in compliance with Section 4 of P.D. No. 1445 and COA Circular No. 2012-001.

**We have recommended that management strictly comply with the documentary requirements to support reimbursements of meals and snacks as prescribed under P.D. 1445 and COA Circular No. 2012-001.**

During the exit conference, the management commented that they had already complied the documentary requirements to support the reimbursements of meals and snacks effective April 2013 transactions.

**7. The district’s existing Driver’s Trip Ticket is not the prescribed form as required under COA Circular No. 75-6, dated November 7, 1975.**

Paragraph V of COA Circular No. 75-6 dated November 7, 1975 prescribes the regulations in the proper use of government vehicles which requires the issuance of driver’s trip ticket, duly signed by the Chief or the Administrative Officer of the bureau, office or entity concerned*.*

The district has one (1) L300 Van and three (3) Motorcycle units utilized in their operations.

Review of disbursements for fuel expenses disclosed that payments for fuel were not supported with the prescribed driver’s trip ticket as required in COA Circular No. 75-6. However, the district prepared one (1) copy of driver’s trip ticket in a one-half (1/2) page ***(Annex E)***. This has been the existing practice of the district in the use of government vehicle.

It was noted further that the existing driver’s trip ticket used by the district is not based on the prescribed form as required in COA Circular No. 75-6 as the same has no provision for the following data:

* time of arrival and departure;
* fuel issued, purchased and consumed;
* approximate distance traveled; and
* speedometer readings

Thus, the consumption of fuel for the distance traveled could not be easily monitored.

**We have recommended that management use the prescribed form of the driver’s trip ticket in compliance with COA Circular No. 75-6. Prepare two (2) copies of the driver’s trip ticket, in which one copy shall be submitted to the office of the auditor together with the disbursement voucher to support payment of diesel/gasoline.**

During the exit conference, the management commented that they will use the prescribed form of the driver’s trip ticket in compliance with COA Circular No. 75-6 effective June 2013.

**8. Several properties amounting to P369,573.31 determined to be unserviceable were still included in the UPIS Accounts due to the District’s failure to request for disposal/condemnation, resulting to an overstatement of the UPIS account, contrary to Section 79 of P.D. 1445 and COA Circular No. 86-264, dated October 16, 1986.**

Section 79 of P.D. 1445 states that When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefor, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission, after advertising by printed notice in the Official Gazette, or for not less than three consecutive days in any newspaper of general circulation, or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least three public places in the locality where the property is to be sold. In the event that the public auction fails, the property may be sold at a private sale at such price as may be fixed by the same committee or body concerned and approved by the Commission.

COA Circular No. 86-264 provides for the *guidelines on the modes, mechanics and procedures in the disposal of government properties.* It states among others that pursuant to existing laws on the matter, the full and sole authority and responsibility for the divestment or disposal of property and other assets owned by the GOCCs and their subsidiaries shall be lodged their governing bodies or managing heads conformably to their respective corporate charters or articles of incorporation, who shall constitute the appropriate committee or body to undertake the same. To facilitate audit of the disposal/divestment of corporate assets as herein contemplated, the management of the government corporation concerned shall furnish the Auditor at least twenty (20) days before the advertisement of the call to public auction with a copy each of the following documents:

a) Program for disposal with time schedules;

b) Inventory Report showing the itemized list and complete description of the assets;

c) Appraisal Report showing the appraised values of the assets, prepared by an in house and/or independent appraiser;

d) Disposal procedure adopted which are prepared by the concerned offices/departments of the corporation and submitted to the proper Disposal Committee or similar body constituted by the management thereof.

Review of the financial statements for CY 2012 and inspection of various property, plant and equipment of the District disclosed that there were unserviceable properties amounting to P369,573.31 ***(Annex F)*** which were not subjected to disposal as provided by the rules on property accountability.

As a result, the UPIS accounts as of December 31, 2012 were overstated by the same amount.

**We have recommended that management require the Inventory/Appraisal Committee to conduct and complete the inventory taking and prepare the Inventory and Inspection Report of Unserviceable Property and properly dispose the unserviceable properties and equipment in accordance with the above-cited rules and regulations.**

During the exit conference and in reply to our Audit Observation Memorandum (AOM), the General Manager commented that the management will finalize the Inventory and Inspection Report for proper disposal of the unserviceable properties and equipment.

**9. Copies of contracts and purchase orders for procurements of various supplies and materials were not submitted to the Auditor within five (5) days from its consummation, thus, the needed review to determine its compliance with legal, auditorial and technical requirements was not made.**

COA Circular No. 2009-001 dated February 12, 2009 requires that within five (5) working days from the execution of the contract by the government or any of its subdivisions, agencies and instrumentalities, including government owned and controlled corporations and their subsidiaries, a copy of the said contract and each of all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned.

Further, Section 3.2.1 of the said Circular provides that a copy of any purchase order (PO) irrespective of amount, and each and every supporting document, shall, within five (5) working days from issuance thereof, be submitted to the Auditor concerned. Within the same period, the Auditor shall review and point out to management defects and/or deficiencies, if any, in the same manner provided in the second and third sentences of item 3.1.4 hereof.

In addition, Section 6.06 of COA Circular No. 95-006 dated May 18, 1995 provides that “The official responsible for or in charge of accepting deliveries of procured items shall, within twenty-four (24) hours from such acceptance, shall notify the auditor of the time and date of the scheduled deliveries.

Section 6.09 further states that “Inspection of consumable and perishable items, as well as unserviceable and disposable government property and others assets, shall be conducted by management. A copy of the report of inspection or its equivalent shall be submitted to the Head of the Auditing Unit within twenty four (24) hours from acceptance of the items delivered and, in the case of unserviceable and disposable property/assets, immediately after inspection thereof by management.”

Records disclosed that the agency procured various goods, supplies and materials***(AnnexG)***. Irrespective of the amount involved, there were no purchase orders and perfected contracts submitted to the assigned auditor for review and evaluation for any possible defects and/or deficiency. Consequently, management failed to request the office of the auditor for inspection and confirmation.

As a result, the legal and auditorial review was not made by the assigned auditor, thus, compliance with laws and regulations, specifically the Revised IRR of R.A. 9184 was not determined. Moreover, Technical review was not similarly made.

**We have recommended that management regularly furnish copies of contracts and purchase orders of various procurements of goods and infrastructure projects to enable the assigned auditor to conduct the necessary legal and auditorial reviews as well as future reference to COA-Technical Services Office in the conduct of technical review and inspection.**

**We have also recommended the prompt submission of the requested contracts including its complete supporting documents before the implementation of any project and make the necessary request for inspection of COA engineer upon completion of projects prior to its final payment.**

The management during the exit conference assured the audit team that they will comply and adhere to the recommendations cited by submitting all the contracts and purchase orders within five (5) days after its perfection.

**10. The retention money representing 10% of every progress payments made, has been fully released to the contractor even without the completion and final acceptance of the works, contrary to Item 6 of Annex E of the Revised IRR of R.A. 9184, thus, the contractor of the project “Construction of the Water Supply System of Bacolod Water District” was overpaid by P246,103.35 as the completion of the unfinished item in the approved Program of Work was implemented by administration.**

Item 6 of Annex E of the Revised IRR of R.A. 9184 states that progress payments are subject to retention of ten percent (10%) referred to as the "retention money." Such retention shall be based on the total amount due to the contractor prior to any deduction and shall be retained from every progress payment until fifty percent (50%) of the value of works, as determined by the procuring entity, are completed. If, after fifty percent (50%) completion, the work is satisfactorily done and on schedule, no additional retention shall be made; otherwise, the ten percent (10%) retention shall be imposed.

**The total "retention money" shall be due for release upon final acceptance of the works**. The contractor may, however, request the substitution of the retention money for each progress billing with irrevocable standby letters of credit of from a commercial bank, bank guarantees or surety bonds callable on demand, of amounts equivalent to the retention money substituted for and acceptable to Government, provided that the project is on schedule and is satisfactorily undertaken. Otherwise, the ten percent (10%) retention shall be made. Said irrevocable standby letters of credit, bank guarantees and/or surety bonds, to be posted in favor of the Government shall be valid for a duration to be determined by the concerned implementing office/agency or procuring entity and will answer for the purpose for which the ten percent (10%) retention is intended, i.e., to cover uncorrected discovered defects and third party liabilities.

Review of the transactions of the district relative to the Non-LWUA Initiated Fund (NLIF) for CY 2011-2012 disclosed that the retention money amounting to P737,653.59 has been released in full to the contractor “King Josum Construction and Plumbing Works” on March 2012 with Check No. 841831, even without the completion of the project and without the required final acceptance by the district of the works of the contractor.

Verification revealed that at the time the retention money was released, the project was not yet 100% completed. The Construction of the Perimeter Fence for Pump Station No. 3 *(Item VI of the Detailed Estimates)* which amounts to P200,000.00 was not yet constructed.

Per information from the General Manager (GM) of the district, the contractor has requested the release of the retention money to finance the above unfinished item in the approved program of work. However, the contractor failed to complete the mentioned item. The GM, with his intent to put the entire project into use, has assumed the completion of the project by implementing it by administration. To date, the project is 100% completed and already operational.

Summarized below is the data on the amount paid to the contractor, and the amount of 10% retention money:

|  |  |  |  |
| --- | --- | --- | --- |
| *Date* | *Monthly Progress Payment Report No.* | *Amount Paid to Contractor*  *(Gross Amount)* | *Amount of Retention Money* |
| 12/23/2010 | 1 | P 825,388.20 | P 91,709.80 |
| 02/16/2011 | 2 | 127,950.42 | 14,216.71 |
| 02/16/2011 | 3 | 900,000.00 | 100,000.00 |
| 04/04/2011 | 4 | 353,737.80 | 39,304.20 |
| 04/04/2011 | 5 | 54,835.89 | 6,092.88 |
| 06/08/2011 | 6 | 3,924,180.00 | 436,020.00 |
| 08/08/2011 | 7 | 452,790.00 | 50,310.00 |
| 11/28/2011 | 8 | 3,186,300.00 | - |
| 12/27/2011 | 9 | 535,400.00 | - |
| **TOTAL** |  |  | **P 737,653.59** |

As a result of the release of the retention money in full, the contractor has been overpaid by P246,103.35, broken down as follows:

|  |  |
| --- | --- |
| *Particulars* | *Amount* |
| Amount representing Item VI in the Approved Program of Work. | P 200,000.00 |
| Amount representing VAT supposed to be withheld from the retention money [(P737,653.59/1.12)\*7%] | 46,103.35  ------------------ |
| **TOTAL OVERPAYMENT** | **P 246,103.35**  **===========** |

**We have recommended that management strictly adhere to the provisions of the Revised IRR of R.A. 9184 as regards the release of the 10% retention money.**

**We have also recommended to the management to immediately demand from the contractor King Josum Construction and Plumbing Works the amount of overpayment of P246,103.35, otherwise, file appropriate charges against the said contractor.**

The management commented that they will send a demand letter to the contractor King Josum Construction and Plumbing Works for the refund and to collect the overpayment of P246,103.35.

**COMPLIANCE WITH TAX LAWS**

The district has not fully complied with the existing tax laws, rules, and regulations on withholding of taxes on payments due to suppliers and contractors. The detail of the observation is discussed below.

**11. Tax withheld from the contractor for every billing made of the NLIF project amounting to P245,247.10 was not fully recorded in the books of accounts and was not fully remitted to the Bureau of Internal Revenue contrary Section 112 of P.D. 1445 and to BIR Revenue Regulations No. 2-98, dated April 17, 1998.**

Section 112 of PD 1445, provides that each government agency shall record its financial transactions and operation conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations.

Bureau of Internal Revenue (BIR) Revenue Regulations No. 2-98, dated April 17, 1998, also states that gross payments made by the government to sellers of goods and services would be **subject to withholding tax**. The withholding agents shall accomplish the Monthly Value Added Tax (VAT) Tax Declaration and pay the amounts withheld. The return shall be filed and payments made within ten (10) days following the end month the withholding was made. The withholding agent is required to furnish each seller of goods and services from whom taxes has been deducted, the Certificate of Creditable Tax Withheld at Source (BIR Form No. 2307) in quadruplicate copies. The first three copies will be given to the seller not later than the fifteenth (15th) day of the following month, while the fourth (4th) copy will be retained by the withholding agent.

Review of the disbursements of NLIF projects disclosed the following payments to the contractor and to the BIR, as summarized below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Reference* | *Amount Paid to Contractor*  *(Gross Amount)* | *Amount Withheld*  *(5% Tax)* | *Amount Withheld*  *(2% Tax)* | *Date Paid to BIR and Check Number* |
| Monthly Progress Payment Report No. 1 (MPPR) | 825,388.20 | 36,847.69 | 14,739.08 |  |
| MPPR No. 2 | 127,950.42 | 5,712,.07 | 2,284.83 |  |
| MPPR No. 3 | 900,000.00 | 40,178.57 | 16,071.43 |  |
|  |  | ***82,738.33*** |  | 3/10/2011 CK#841810 |
|  |  |  | ***33,095.34*** | 3/10/2011 CK#841809 |
| MPPR No. 4 | 353,737.80 | 15,791.87 | 6,316.75 |  |
| MPPR No. 5 | 54,835.89 | 2,448.03 | 979.21 |  |
| MPPR No. 6 | 3,924,180.00 | 175,186.61 | 70,074.64 |  |
|  |  | ***193,426.51*** |  | 7/8/2011 CK#841819 |
|  |  |  | ***77,370.60*** | 7/8/2011 CK#841820 |
| MPPR No. 7 | 452,790.00 | ***20,213.84*** |  | 9/12/2011 CK#841823 |
|  |  |  | ***8,085.54*** | 9/12/2011 CK#841824 |
| MPPR No. 8 | 3,186,300.00 | ***142,245.54*** |  | ***Unremitted*** |
|  |  |  | ***56,898.21*** | ***Unremitted*** |
| MPPR No. 9 | 535,400.00 | ***23,901.79*** |  | 2/10/2012 CK#841829 |
|  |  |  | ***9,560.71*** | 2/10/2012 CK#841828 |
| 10% Retention Money | 737,653.59 | ***32,930.96*** |  | ***Unremitted*** |
|  |  |  | ***13,172.39*** | ***Unremitted*** |

Verification from the district’s books of accounts as of December 31, 2012 revealed that there was no record of tax due to the Bureau of Internal Revenue. The Acting Bookkeeper failed to record the corresponding tax withheld from the billing of the contractor on MPPR No. 8, and on the retention money totaling P245,247.10:

|  |  |  |  |
| --- | --- | --- | --- |
| *Reference* | *Amount of Tax*  *(5% Tax)* | *Amount of Tax*  *(2% Tax)* | *Total Unremitted* |
| Monthly Progress Payment Report No. 8 (MPPR) | 142,245.54 | 56,898.21 | P 199,143.75 |
| 10% Retention Money | 32,930.96 | 13,172.39 | 46,103.35  ----------------- |
| **Total Unremitted Tax** | | | **P 245,247.10**  ========== |

Thus, the same was not remitted to the Bureau of Internal Revenue.

**We have recommended that management strictly adhere to the provisions of Section 112 of PD 1445 for fair presentation of the financial statements, and to remit to the BIR the unremitted amount representing the tax withheld from the contractor in compliance with BIR Revenue Regulations No. 2-98, dated April 17, 1998.**

**We have also recommended to the management to effect the necessary adjusting entries of the unrecorded “Due to BIR” account.**

In response to the audit team’s Audit Observation Memorandum, the management commented that once the contractor will pay the overpayment, the management will immediately remit to the BIR the unremitted amount of P245,247.10.

**GENDER AND DEVELOPMENT**

The district had a budget for Gender and Development (GAD) amounting to P75,000.00in the approved Corporate Budget, however, there were no disbursements made in the Calendar Year 2012.

**STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES**

Prior to the effectivity of COA Circular No. 2009-006 dated September 15, 2009, prescribing the Rules and Regulations on Settlement of Accounts (RRSA), total Disallowances and Charges incurred by the Agency amounted to **P0.00**. Upon implementation of the RRSA, total Suspensions, Disallowances and Charges also amounted to **P0.00**.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Particulars* | *Balance, 12/31/2011* | *CY 2012 Issuances* | *Settlement* | *Balance, 12/31/2012* |
| Suspensions | 0.00 | 0.00 | 0.00 | 0.00 |
| Disallowances | 0.00 | 0.00 | 0.00 | 0.00 |
| Charges | 0.00 | 0.00 | 0.00 | 0.00 |

**PART III – STATUS OF IMPLEMENTATION OF PRIOR YEAR’S AUDIT RECOMMENDATIONS**

**PART III – STATUS OF IMPLEMENTATION OF PRIOR YEAR’S AUDIT RECOMMENDATIONS**

We made a follow-up on the action taken by the Agency to implement the recommendations of prior years and noted the following:

|  |  |
| --- | --- |
| ***Status of Implementation*** | ***No. of Recommendations*** |
| Fully Implemented | 0 |
| Partially Implemented | 1 |
| On-going | 1 |
| Not Implemented | 2 |

| ***FINDINGS AND  RECOMMENDATIONS*** | ***REF*** | ***MANAGEMENT ACTION*** | ***STATUS OF IMPLEMENTATION (Full, Partial, Ongoing, Non-implementation)*** | ***REASON FOR PARTIAL OR  NON-IMPLEMENTATION*** |
| --- | --- | --- | --- | --- |
| **1.For the current year, the Physical Count of Property, Plant and Equipment of the District was not conducted, contrary to the provision of Section 490, GAAM Volume I; thus, the correctness of the amount of P24,000,302.76 (net of depreciation) of PPE reported in the balance sheet was not ascertained.**  We recommended and management agreed to implement the following:   1. Create a task force to conduct the physical count of property compose of the Following:   a) Two (2) permanent representatives from the Supply Office.  b) One (1) permanent representative from the Accounting Unit  c) One (1) representative from the COA to act as witness. |  | A committee has already been formedby the management and the required inventory taking for all property, plant and equipment is still being conducted. But the unserviceable properties of the district were already determined and were reported in the Inventory and Inspection Report for unserviceable properties. However, the management was not able to request for their proper disposal, hence was reiterated in finding no. 8 of this report. | Ongoing |  |
| 2. The task force created must conduct physical count and render complete inventory report duly signed by the members and submit the said report to the Head of Office; copy furnished the Accounting Office and to the COA.  3. The task force/committee to renew all the AREs based the concerned accountable personnel. In case, those properties are no longer found but are still in the Supply Office records, advise the concerned accountable personnel to request for relief of accountability in accordance with P.D. 1445.  4. Based on the duly signed Report on the Physical Count of Property Plant and Equipment (RPCPPE), the Accounting Office to prepare Equipment Ledger Cards by classification and reconcile these with its owned record maintained for that purpose.  5. After the completion of the Physical Count, the Supply Officer to prepare the soft copy of the inventory Report and submit the same to the COA. In succeeding years, only the changes (deductions and additions) are reported in the Inventory and Inspection Report for unserviceable property (IIRUP) and the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) be submitted to save effort and cost.  6. The IIRUP for condemned properties which are already approved by the Head of Office upon the recommendation of the Property Inspector and/or the Appraisal Committee shall be deleted from the RPCPPE and the corresponding AREs shall also be cancelled. Copy of approved IRUP shall be furnished to the COA. However, the Accounting Office shall not drop the approved IRUP from the accounting records until such time the Auction Sale is complete. |  |  |  |  |
| 7. Conduct physical inventory of the agency assets at least once a year pursuant to Section 490, GAAM, Volume I to check the existence, accuracy and correctness of the accounts recorded in the school books of accounts.  8. Property Custodian should maintain the Property Card while Accounting Unit should also maintain the Property Plant and Equipment Ledger Card. Reconcile these records with the Physical Inventory Report of Property Plant and Equipment.  9. Put high regard and importance to physical inventory taking as it is an indispensable procedure in checking the integrity of property custodianship. |  |  |  |  |
| **2. No certification from COA technical engineer that Bacolod Water Supply System Improvement Project which was paid in full in the amount of P10,127,975.95 was technically 100% completed. This was contrary to the provisions of COA Circular 95-006 and Procurement Manual for Infrastructure Projects, Volume 3.**  We recommended that management should make the necessary request for inspection of COA engineer upon completion of projects prior to its final payment.  Ensure adherence to the guidelines, policies, rules and regulations under the Generic Procurement Manual in the Procurement of Infrastructure Projects to avoid future suspensions/ disallowances in audit. |  | The management was able to initially submit to the audit team the documents pertaining to the Bacolod Water System Project (NLIF Project) such as contract agreement with the contractor, program of work and project design, progress billings. However, no certificate of project completion and final acceptance of work were submitted. | Not implemented | According to the General Manager, there are still minor corrections such as small cracks in the constructed reservoir. Once corrected, the certificate of completion and final acceptance of works will then be submitted together with the management request for final inspection of the completed project. |
| **3. Tax withheld due to the BIR from every billing made by the contractor For the NLIF projects was not fully recorded due to erroneous entries made by the accounting processor in the disbursement voucher thus resulting to understatement of P232,606.25 as of December 31, 2011.**  We recommended that Management should strictly implement adherence to the prescribed accounting procedure/entries as provided under Section 112 of PD 1445 for fair presentation of the financial statement. Review the capability of the accounting processor and its immediate superior to ensure compliance of Section 112 of PD 1445.  Effect the necessary correct entries of the unrecorded amount of P232, 606.25 due to BIR. |  | The management is still demanding from the contractor the overpayment representing the taxes which werenot withheld in the progress billing. Once the contractor will pay, the district will fully remit the amount to the BIR. This finding is reiterated in finding no. 11 of this report. | Not Implemented | For CY 2012, the district was not able to remit the corresponding tax from every contractor’s billing because the corresponding tax has not been withheld from the 8th monthly progress billing and from the released 10% retention money.  Re-iterated in CY2012 AAR Finding No. 11 |
| **4. The management failed to formulate and implement Gender and Development (GAD) programs, projects and activities, as mandated under Joint Circular No. 2004-1 dated April 5, 2004 issued by DBM, NEDA and NCRFW.**  We recommended that management should incorporate GAD concerns in their annual plans and budget. A GAD focal person shall likewise be designated who shall see to it that identified GAD plans and activities are properly implemented. |  | For CY 2012, the district has provided in their approved Corporate Budget, an amount of P75,000.00 for Gender and Development (GAD), however, there were no disbursements made in the Calendar Year 2012. | Partially Implemented | The management is still formulating their GAD programs, projects and activities, and according to the General Manager, the district will be coordinating with the LGU GAD Focal person to align the district’s GAD plan with the local government unit. |

**PART IV – ANNEXES**

**ANNEXES**

|  |  |  |
| --- | --- | --- |
| ***Annex*** |  | ***Title*** |
| Annex A | - | Copy of the Transfer Certificate of Title (TCT) of the Idle Land Owned by the District |
| Annex B | - | Aging of Accounts Receivable as of December 31, 2012 and Provision of Allowance for Bad Debts |
| Annex C | - | Summary of Additional Allowances of the Board of Directors of the District for CY 2012 |
| Annex D | - | Summary of Performance-Based Bonus (PBB) Granted to Officers and Employees of the District for CY 2012 |
| Annex E | - | Sample Trip Ticket Form Used by the District |
| Annex F | - | List of Unserviceable Properties of the District as of December 31, 2012 |
| Annex G | - | Summary of Purchase Orders Not Submitted to COA for CY 2012 |

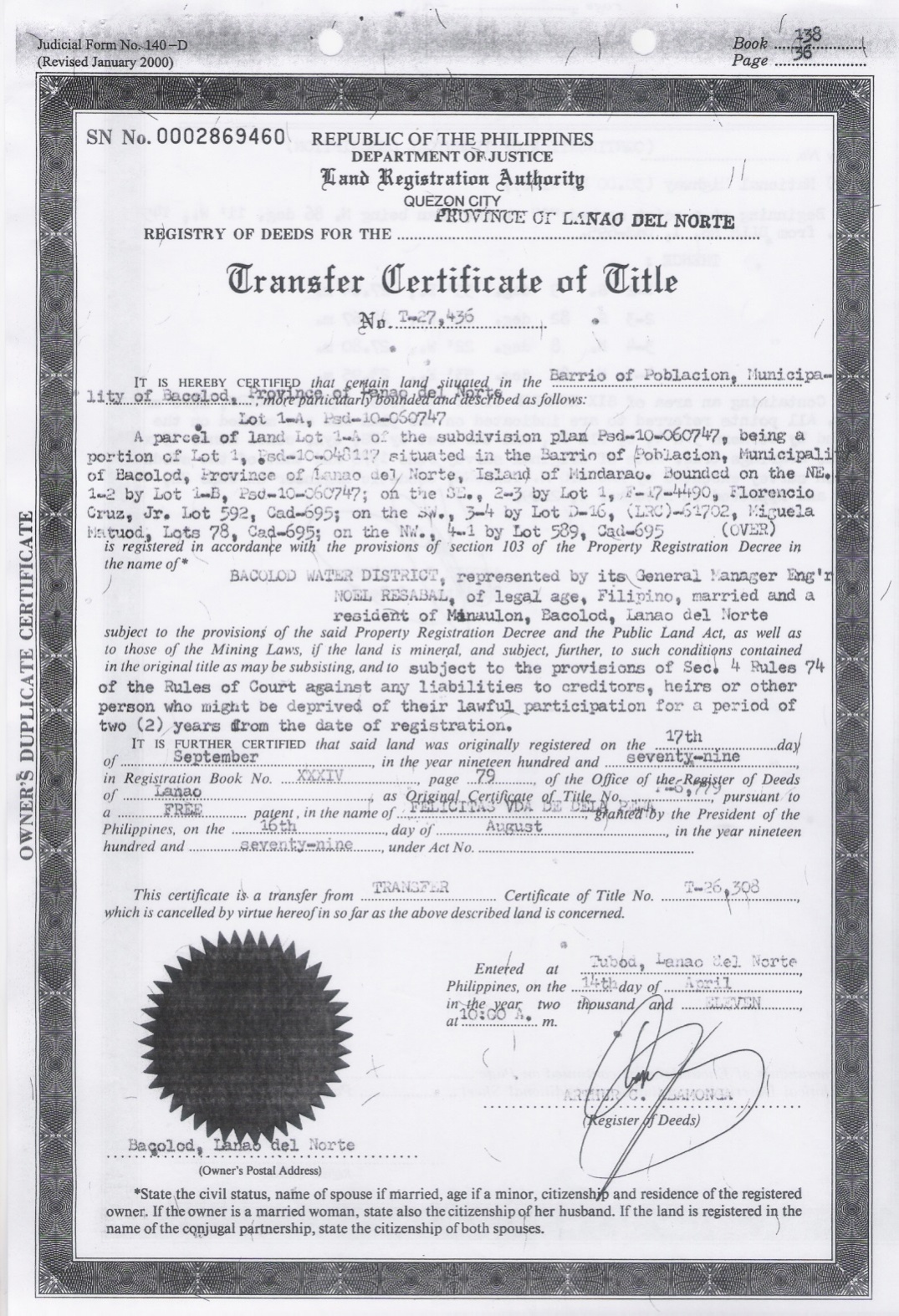
**Annex A**

AAR Finding No. 1, Page 14

**BACOLOD WATER DISTRICT**

**Bacolod, Lanaodel Norte**

**Transfer Certificate of Title (TCT) No. T-27,436**

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|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Annex B** | |
|  |  |  |  |  |  | AAR Finding No. 3, Page 16 | | |
| **BACOLOD WATER DISTRICT** | |  |  |  |  |  |  |  |
| Bacolod, Lanao del Norte | |  |  |  |  |  |  |  |
| Schedule of Aging of Accounts Receivable and Allowance for Bad Debts | | | | |  |  |  |  |
| As of December 31, 2012 | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| *Particulars* | *Residential* | *Government* | *Commercial A* | *Commercial B* | *Commercial C* | *Total A/R* | *Percentage of Allowance* | *Allowance for Bad Debts* |
| **ACTIVE ACCOUNTS** |  |  |  |  |  |  |  |  |
| 1-60 days | 196,389.80 | 33,536.80 | 2,190.20 | 938.95 | 3,176.20 | 236,231.95 | 1% | 2,362.32 |
| 61-180 days | 1,141.80 | 57,646.40 | - | - | 362.45 | 59,150.65 | 2% | 1,183.01 |
| 181-360 days | 3,852.20 | 74,522.00 | - | - | - | 78,374.20 | 3% | 2,351.23 |
| More than 1 Year | 6,751.00 | 134,696.68 | - | - | - | 141,447.68 | 5% | 7,072.38 |
|  |  |  |  |  |  |  |  |  |
| **INACTIVE ACCOUNTS** |  |  |  |  |  |  |  |  |
| 1-60 days | 4,137.40 | 15.00 | 55.00 | - | 40.00 | 4,247.40 | 1% | 42.47 |
| 61-180 days | 8,288.40 | - | - | - | 976.25 | 9,264.65 | 2% | 185.29 |
| 181-360 days | 5,924.75 | 2,855.00 | - | - | - | 8,779.75 | 3% | 263.39 |
| More than 1 Year | 195,748.75 | - | 4,823.00 | - | 6,395.25 | 206,967.00 | 5% | 10,348.35 |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **TOTAL** | 422,234.10 | 303,271.88 | 7,068.20 | 938.95 | 10,950.15 | 744,463.28 |  | **P23,808.45** |
|  |  |  |  |  |  |  |  |  |
| Prepared by: |  |  |  |  |  |  |  |  |
| **REMY U. PAHUYO** | | |  |  |  |  |  |  |
| State Auditor II | | |  |  |  |  |  |  |
| Audit Team Leader | | |  |  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  | **Annex C** |
|  |  |  | AAR Finding No. 4, Page 17 | |
| **BACOLOD WATER DISTRICT** | |  |  |  |
| Bacolod, Lanao del Norte | |  |  |  |
| Summary of Additional Allowances and Benefits Granted to BODs | | | |  |
| As of December 31, 2012 | |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Name of Director | | Name of Allowances and Benefits received in CY 2012 | | |
| Cash Gift | Year-End Financial Assistance | Total |
| 1. | CARMEN E. ARANAS | 5,000.00 | 2,880.00 | 7,880.00 |
| 2. | ELSA P. PANORIL | 5,000.00 | 2,880.00 | 7,880.00 |
| 3. | DRA. LERMA DARAMAN | 5,000.00 | 2,880.00 | 7,880.00 |
| 4. | ANASTACIO L. SORIA | 5,000.00 | 2,880.00 | 7,880.00 |
| 5. | LEAH MARCERA | 5,000.00 | 2,880.00 | 7,880.00 |
|  | **Total** |  |  | **Php 39,400.00** |
| Prepared by: | |  |  |  |
| **REMY U. PAHUYO** | |  |  |  |
| State Auditor II | |  |  |  |
| Audit Team Leader | |  |  |  |

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|  |  | **Annex D** |
|  | AAR Finding No. 5, Page 20 | |
|  |  |  |
| **BACOLOD WATER DISTRICT** | |  |
| Bacolod, Lanao del Norte | |  |
| Summary of Performance-Based Bonus Granted to Officers and Employees | | |
| As of December 31, 2012 | |  |
|  |  |  |
|  |  |  |
| *Name of Officers/Employees* | | *Amount of PBB Granted* |
| 1. | ALANGILAN, Jasmin G. | 25,000.00 |
| 2. | AMANTIAD, Genalin A. | 25,000.00 |
| 3. | JUSTOBA, Mario P. | 25,000.00 |
| 4. | LIGUTOM, Zaidie C. | 25,000.00 |
| 5. | LUMOSAD, Ricardo A. | 25,000.00 |
| 6. | LUZON, Romuel M. | 25,000.00 |
| 7. | MAGLANA, Alma S. | 25,000.00 |
| 8. | MEJOS, Leopoldo C. | 25,000.00 |
| 9. | RESABAL, Noel L. | 25,000.00 |
| 10. | SUCUANO, Justino P. | 25,000.00 |
| 11. | MANERA, Michael S. | 25,000.00 |
|  |  |  |
|  | **Total** | **Php 275,000.00** |
| Prepared by: | |  |
| **REMY U. PAHUYO** | |  |
| State Auditor II | |  |
| Audit Team Leader | |  |

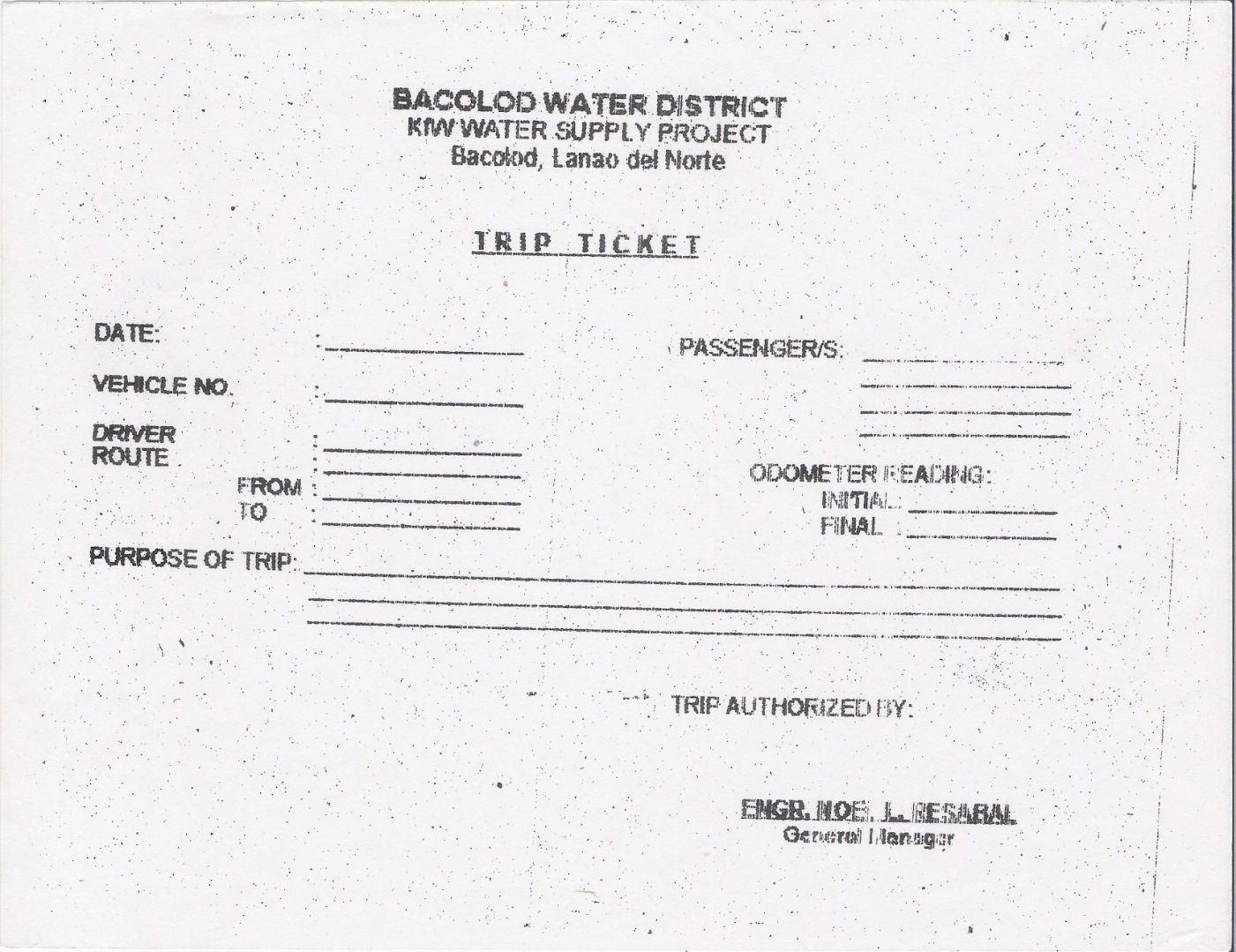
**Annex E**

AARFinding No. 7, Page 21

**BACOLOD WATER DISTRICT**

**Bacolod, Lanao del Norte**

**SAMPLE TRIP TICKET FORM**



|  |  |  |  |  |
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|  |  |  |  | **Annex F** |
|  |  |  | AAR Finding No. 8, Page 23 | |
| **BACOLOD WATER DISTRICT** | |  |  |  |
| Bacolod, Lanao del Norte |  |  |  |  |
| List of Unserviceable Properties | |  |  |  |
| As of December 31, 2012 |  |  |  |  |
| ***Type of Property*** | ***Property Number*** | ***Quantity*** | ***Location*** | ***Cost*** |
| PUMPING PLANT AND EQUIPMENT: | |  |  |  |
| Motor Control 15 Hp | 225-02-002 | 1 | Pumping Station No. 1 | 54,200.00 |
| Magnetic Contactor | 225-02-010 to 011 | 2 | Pumping Station No. 1 | 3,200.00 |
| Magnetic Contactor | 225-02-012 to 013 | 2 | Pumping Station No. 1 | 3,200.00 |
| DC Battery | 225-02-018 | 1 | Pumping Station No. 1 | 3,500.00 |
| Search Light | 225-02-020 | 1 | Pumping Station No. 1 | 3,550.00 |
| DC Battery | 225-02-022 | 1 | Pumping Station No. 1 | 5,700.00 |
| Magnetic Contactor | 225-02-008 | 1 | Pumping Station No. 1 | 9,980.00 |
| Omron Liquid Level Switch Power Supply | 225-02-046 | 1 | Pumping Station No. 1 | 2,200.00 |
| Anly Timer 230V | 225-02-047 | 1 | Pumping Station No. 1 | 3,500.00 |
| Auto Transformer 15 Hp, 230V | 225-02-048 | 1 | Pumping Station No. 1 | 20,000.00 |
| Pump 15 Hp | 225-02-019 | 1 | Pumping Station No. 1 | 28,280.00 |
| WATER TREATMENT EQUIPMENT: | |  |  |  |
| Bleed Valve Kit | 225-03-001 | 1 | Pumping Station No. 1 | 5,171.40 |
| Hypochlorinator | 225-03-002 | 1 | Pumping Station No. 1 | 18,500.00 |
| Chemical Feeder | 225-03-003 | 1 | Pumping Station No. 3 | 21,680.00 |
| Chlorinator | 225-03-005 | 1 | Pumping Station No. 3 | 24,480.00 |
| GENERAL PLANT OFFICE FURNITURE AND EQUIPMENT: | | |  |  |
| Computer | 207-01-002 | 1 set | BWD Office | 49,139.19 |
| Monitor 14" | 207-01-003 | 1 | BWD Office | 5,560.00 |
| Computer Monitor 17" | 207-01-004 | 1 | BWD Office | 5,400.00 |
| CPU | 227-02-001 | 1 | BWD Office | 15,850.00 |
| CPU | 227-02-003 | 1 | BWD Office | 16,400.00 |
| Printer HP 3920 | 227-03-002 | 1 | BWD Office | 2,250.00 |
| UPS | 207-04-001 to 002 | 2 | BWD Office | 5,588.00 |
| UPS | 207-04-003 | 1 | BWD Office | 2,000.00 |
| Hard Disk Drive | 261-06-001 | 1 | BWD Office | 4,400.00 |
| Hard Disk Drive, CD Writer | 261-06-002 | 1 | BWD Office | 10,428.36 |
| Plastic Chair, w/o Arm | Intangible | 8 | BWD Office | 1,450.00 |
| Typewriter | Intangible | 1 | BWD Office | 15,700.00 |
| Typewriter | Transfer w/o Cost | 1 | BWD Office | - |
| COMMUNICATION EQUIPMENT: |  |  |  |  |
| Alinco Radio | 209-01-001 | 1 | BWD Office | 6,330.00 |
| DJ 180 Radio Alinco | 209-01-002 | 1 | BWD Office | 6,600.00 |
| HH Radio with Charger | 209-01-003 | 1 | BWD Office | 6,736.36 |
| Power Supply | 209-02-001 | 1 | BWD Office | 2,750.00 |
| Power Supply and Battery Pack | 209-02-002 | 1 | BWD Office | 3,050.00 |
| TOOLS, SHOPS AND GARAGE EQUIPMENT: | |  |  |  |
| Electric Grinder | Intangible | 1 | BWD Office | 2,800.00 |
|  |  |  |  |  |
| **TOTAL AMOUNT** |  |  |  | **Php 369,573.31** |
| Prepared by: |  |  |  |  |
| **REMY U. PAHUYO** | |  |  |  |
| State Auditor II | |  |  |  |
| Audit Team Leader | |  |  |  |

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|  |  |  |  |  | **Annex G** |
|  |  |  | AAR Finding No. 9, Page 24 | | |
| **BACOLOD WATER DISTRICT** | | |  |  |  |
| Bacolod, Lanao del Norte | | |  |  |  |
| Summary of Purchase Orders not submitted to COA | | | |  |  |
| As of December 31, 2012 | | |  |  |  |
|  |  |  |  |  |  |
| ***P.O.No.*** | ***Date*** | ***Payee*** | ***Particulars*** | ***Amount*** | ***Mode of Procurement*** |
| **January 2012** | |  |  |  |  |
| 108 | 11/28/2011 | Eng San Enteprises | Water Supplies and Materials | 3,505.50 | Shopping |
| 05 | 1/13/2012 | Iligan Data Vision Sales Center | Office Supplies | 7,350.00 | Shopping |
| 90 | 9/22/2011 | Edson Plast Industries | Water Supplies and Materials | 13,350.00 | Shopping |
| 94 | 10/17/2011 | Edson Plast Industries | Water Supplies and Materials | 19,650.00 | Shopping |
| 106 | 11/23/2011 | CQ Printing Press | Calendars 2012 | 41,200.00 | Shopping |
| 109 | 11/28/2011 | URC Enterprises | Service Connection Materials | 2,975.00 | Shopping |
| 82 | 8/22/2011 | Caraga Plumbing Concepts | Brass Lockwing | 10,200.00 | Shopping |
| 69 | 7/23/2011 | LRCA Trading Inc. | Magnetic Contactor, Delay Timer | 15,733.00 | Shopping |
| 81 | 8/22/2011 | FSWT Corp. | 50 pcs. Water Meters | 44,500.00 | Shopping |
|  |  |  |  |  |  |
| **February 2012** | |  |  |  |  |
| 17 | 2/27/2012 | Iligan Apollo Electrical Supply | Assorted GI Fittings | 2,957.20 | Shopping |
| 07 | 1/16/2012 | URC Enterprises | Service Connection Materials | 2,520.00 | Shopping |
| 91 | 9/26/2011 | Legacy Printing Press | 5 boxes Statement of Account | 14,750.00 | Shopping |
| 92 | 9/30/2011 | New Interlock Sales and Services | Fuji Magnetic Contractor | 4,821.00 | Shopping |
| 93 | 10/11/2011 | Freedom to Supply Trading | Various Fittings | 22,400.00 | Shopping |
|  |  |  |  |  |  |
| **March 2012** | |  |  |  |  |
| 15 | 2/18/2012 | URC Enterprises | Service Connection Materials | 9,312.00 | Shopping |
| 25 | 3/20/2012 | Reycs Motor Parts | Various Motorcycle Parts | 2,034.00 | Shopping |
|  |  |  |  |  |  |
| **April 2012** | |  |  |  |  |
| 03 | 1/13/2012 | New Interlock Sales and Services | Gould Pump | 22,917.00 | Shopping |
| 16 | 2/27/2012 | URC Enterprises | Service Connection Materials | 1,725.00 | Shopping |
| 14 | 2/10/2012 | URC Enterprises | Service Connection Materials | 1,300.00 | Shopping |
| 113 | 12/26/2011 | Edson Plast Industries | HDPE Pipes | 19,650.00 | Shopping |
| 28 | 4/19/2012 | Kim Guan | Assorted Office Supplies | 4,707.00 | Shopping |
| 09 | 1/27/2012 | Eng San Enterprises | Sleeve Type Coupling | 5,600.00 | Shopping |
| 38 | 3/21/2012 | Dev Hardware and General Mdse. | Various Materials | 2,472.00 | Shopping |
|  |  |  |  |  |  |
| **May 2012** | |  |  |  |  |
| 41 | 5/28/2012 | Filipinas Eslon Mfg. Corp. | Assorted UPVC Pipes and Fittings | 53,241.00 | Shopping |
| 23 | 3/9/2012 | Filipinas Eslon Mfg. Corp. | Tee Reducer | 1,400.00 | Shopping |
| 45 | 5/30/2012 | Fil-Vinyl Multipurpose Coop. | Sodium Hypochlorite | 2,600.00 | Shopping |
| 17 | 2/27/2012 | Edson Plast Industries | HDPE Pipes | 23,400.00 | Shopping |
| 04 | 1/11/2012 | Caraga Plumbing Concepts | Brass Lockwing | 21,500.00 | Shopping |
| 10 | 1/27/2012 | FSWT Corporation | Brass Water Meters | 11,440.00 | Shopping |
| 36 | 5/4/2012 | Iligan Data Vision Sales Center | Office Supplies and HP Ink | 3,200.00 | Shopping |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

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| --- | --- | --- | --- | --- | --- |
| **June 2012** |  |  |  |  |  |
| 22 | 3/9/2012 | Eng San Enterprises | Sleeve Type Coupling | 4,500.00 | Shopping |
| 26 | 3/13/2012 | Eng San Enterprises | Sleeve Type Coupling | 1,600.00 | Shopping |
| 43 | 3/30/2012 | URC Enterprises | Sleeve Type Coupling | 1,650.00 | Shopping |
| 32 | 4/24/2012 | URC Enterprises | Various Fittings | 2,300.00 | Shopping |
|  |  |  |  |  |  |
| **July 2012** |  |  |  |  |  |
| 61 | 7/23/2012 | Lead Copy Ventures | Toner | 1,600.00 | Shopping |
| 49 | 6/25/2012 | Eng San Enterprises | Brass Lockwing | 2,700.00 | Shopping |
| 27 | 4/11/2012 | FSWT Corp. | Brass Water Meter | 44,500.00 | Shopping |
| 31 | 4/30/2012 | Edson Plast Industries | HDPE Pipes | 29,250.00 | Shopping |
| 59 | 7/23/2012 | Wiz Master Computer Sales | LED Monitor | 8,904.00 | Shopping |
| 55 | 7/18/2012 | Kim Guan | Various Office Supplies | 2,729.90 | Shopping |
| 57 | 7/18/2012 | Lian Hong Co., Inc. | Various Groceries for Raffle | 7,482.00 | Shopping |
| 54 | 7/10/2012 | Iligan Apollo Electrical Supply | Assorted Fittings | 4,133.50 | Shopping |
| 07 | 1/16/2012 | Crown Paper and Stationer | Various Office Supplies | 5,017.50 | Shopping |
| 46 | 6/7/2012 | URC Enterprises | Assorted Fittings | 4,976.50 | Shopping |
| 13 | 2/9/2012 | Legacy Sales and Printing Press | Computerized O.R. | 40,300.00 | Shopping |
|  |  |  |  |  |  |
| **August 2012** | |  |  |  |  |
| 39 | 5/23/2012 | Edson Plast Industries | HDPE Pipes and Fittings | 28,200.00 | Shopping |
| 40 | 5/23/2012 | Edson Plast Industries | HDPE Pipes and Fittings | 15,288.00 | Shopping |
| 53 | 7/10/2012 | URC Enterprises | Pipes and Fittings | 2,080.00 | Shopping |
| 34 | 4/25/2012 | New Interlock Sales and Services | Franklin Motor, Anly Timer | 28,612.00 | Shopping |
| 35 | 4/25/2012 | New Interlock Sales and Services | Magnetic Contactor | 5,539.00 | Shopping |
| 65 | 8/3/2012 | JWL Multi Sales | Electrical Grinder | 3,000.00 | Shopping |
|  |  |  |  |  |  |
| **September 2012** | |  |  |  |  |
| 82 | 9/27/2012 | Jaraula Paint Center | Various Paints | 4,100.00 | Shopping |
| 80 | 9/21/2012 | Jaraula Paint Center | Various Paints | 13,420.00 | Shopping |
| 79 | 9/21/2012 | Jaraula Paint Center | Various Paints | 2,030.00 | Shopping |
| 76 | 9/14/2012 | Fil-Vinyl Multipurpose Coop. | Sodium Hypochlorite | 2,000.00 | Shopping |
| 74 | 9/19/2012 | Jaraula Paint Center | Various Paints | 5,105.00 | Shopping |
| 73 | 9/10/2012 | Jaraula Paint Center | Various Paints | 9,710.00 | Shopping |
| - | 9/3/2012 | JeracinesIligan Enterprises | Square Bar, GI Pipes | 9,284.01 | Shopping |
|  |  |  |  |  |  |
| **October 2012** | |  |  |  |  |
| 75 | 9/14/2012 | URC Enterprises | Various Gi Fittings | 7,572.50 | Shopping |
| 81 | 9/24/2012 | URC Enterprises | Various Gi Fittings | 5,600.00 | Shopping |
| 72 | 9/6/2012 | Crown Paper and Stationer | Various Office Supplies | 2,430.65 | Shopping |
| 103 | 10/29/2012 | Jaraula Paint Center | Various Paints | 12,810.00 | Shopping |
| 102 | 10/29/2012 | Iligan Data Vision Sales Center | Computer Inks | 1,610.00 | Shopping |
| 62 | 8/3/2012 | LRCA Trading Inc. | Solenoid-Driven Metering Pump | 20,670.00 | Shopping |
| 101 | 10/24/2012 | Estrellanes Hardware | CHB and Cement | 1,340.00 | Shopping |
| 56 | 7/18/2012 | Crown Paper and Stationer | Office Supplies | 3,865.00 | Shopping |
| 58 | 7/16/2012 | Crown Paper and Stationer | Office Supplies | 1,140.00 | Shopping |
| 69 | 8/29/2012 | URC Enterprises | GI Pipes | 1,750.00 | Shopping |
| 51 | 7/2/2012 | Legacy Sales and Printing Press | Statement of Accounts | 14,750.00 | Shopping |
| 94 | 10/10/2012 | Jaraula Paint Center | Various Paints | 1,100.00 | Shopping |
| 93 | 10/5/2012 | Iligan Engineering Corp. | Reboring of Sleeves | 950.00 | Shopping |
| 48 | 6/20/2012 | Caraga Plumbing Concepts | Brass Lockwing | 10,750.00 | Shopping |
| 42 | 5/30/2012 | New Freedom Trading | Various Fittings | 23,507.00 | Shopping |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 50 | 6/26/2012 | Edson Plast Industries | HDPE Pipes | 19,650.00 | Shopping |
| 44 | 6/7/2012 | Edson Plast Industries | HDPE Pipes | 19,650.00 | Shopping |
| 33 | 4/24/2012 | Eng San Enterprises | Various Fittings | 3,347.50 | Shopping |
| 86 | 10/4/2012 | Iligan Engineering Corp. | Reboring | 2,390.00 | Shopping |
| 85 | 10/4/2012 | Reycs Motor Parts | Motorcycle Tire | 1,680.00 | Shopping |
| 90 | 10/4/2012 | N-vers Electronics and Multimedia | 6 units Samsung Cellphones | 5,094.00 | Shopping |
| 84 | 10/2/2012 | Jaraula Paint Center | Various Paints | 5,480.00 | Shopping |
|  |  |  |  |  |  |
| **November 2012** | |  |  |  |  |
| 70 | 8/29/2012 | Edson Plast Industries | HDPE Pipes | 19,650.00 | Shopping |
| 67 | 8/16/2012 | Eng San Enterprises | Sleeve Type Coupling | 6,950.00 | Shopping |
| 68 | 8/22/2012 | Caraga Plumbing Concepts | Brass Ball Valve | 10,750.00 | Shopping |
| 66 | 8/9/2012 | New Freedom Trading | GI Tee | 7,225.00 | Shopping |
| 113 | 11/21/2012 | Tri-G | Pressure Gauge | 3,500.00 | Shopping |
| 110 | 11/19/2012 | Krisland Comm. Corp. | Cord, Receptacle | 3,408.00 | Shopping |
| 97 | 10/19/2012 | URC Enterprises | Fittings and Pipes | 3,980.00 | Shopping |
| 91 | 10/5/2012 | URC Enterprises | Fittings and Pipes | 4,659.00 | Shopping |
| 63 | 7/30/2012 | FSWT Corp. | Brass Water Meters | 44,500.00 | Shopping |
| 60 | 7/23/2012 | Edson Plast Industries | HDPE Pipes and Adaptor | 29,250.00 | Shopping |
| 105 | 10/31/2012 | San Miguel Glass & Alum. Supply | Screen with Labor | 3,500.00 | Shopping |
|  |  |  |  |  |  |
| **December 2012** | |  |  |  |  |
| 115 | 11/28/2012 | URC Enterprises | Brass Swing Valve | 1,180.00 | Shopping |
| 114 | 11/26/2012 | URC Enterprises | Assorted GI Fittings | 3,205.00 | Shopping |
| 108 | 11/9/2012 | URC Enterprises | Assorted GI Fittings | 5,902.00 | Shopping |
| 119 | 12/7/2012 | Fil-Vinyl Multipurpose Coop. | Sodium Hypochlorite | 2,690.00 | Shopping |
| 116 | 12/3/2012 | Filipinas Eslon Mfg. Corp. | PVC Pipes | 3,780.40 | Shopping |
|  |  |  |  |  |  |
| **TOTAL AMOUNT OF PURCHASE ORDERS** | | | **Php 1,003,687.16** | | |
| Prepared by: |  |  |  |  |  |
| **REMY U. PAHUYO** | |  |  |  |  |
| State Auditor II | |  |  |  |  |
| Audit Team Leader | |  |  |  |  |