Republic of the Philippines

**COMMISSION ON AUDIT**

**Regional Office No. X**

Carmen, Cagayan de Oro City

**ANNUAL AUDIT REPORT**

**ON THE**

**BACOLOD WATER DISTRICT**

**Bacolod, Lanao del Norte**

# For the Year Ended December 31, 2014

Republic of the Philippines

**COMMISSION ON AUDIT**

**Regional Office No. X**

J.V. Seriña Street, Carmen, Cagayan de Oro City

**OFFICE OF THE REGIONAL DIRECTOR**

 June 19, 2015

**ENGR. NOEL L. RESABAL**

General Manager

Bacolod Water District

Bacolod, Lanao del Norte

Dear Manager Resabal:

 We are pleased to transmit the Financial Audit Report on the audit of **Bacolod Water District**, Bacolod, Lanao del Norte, for the year ended December 31, 2014, in compliance with 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 District 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 results of the audit.

 The report consists of four (4) parts, Part I- Audited Financial Statements, Part II-Observations and Recommendations, Part III- Status of Implementation of Prior Year’s Audit Recommendations, which were discussed with concerned management officials and staff, and Part IV- the Annexes.

 We conducted our audit in accordance with Philippine Public Sector Standards on Auditing and we believe that it provided a reasonable basis for the audit results.

 The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements because the effect of the deviations from the prescribed procedures materially affected the account balances. One of the significant observations contained in the report and which was discussed with the concerned officials and employees of the District during the exit conference conducted on February 12, 2015 follows, together with the corresponding recommendation:

1. Fines and penalties for the CY 2014 totaling ~~P~~337,634.60 were directly recognized as income contrary to Section 112 of P.D. No. 1445, Section 19 of the NGAS Manual Volume I, and Paragraph 21 of Philippine Public Sector Accounting Standards (PPSAS) No. 9, thereby overstating the income account.

We recommended and Management agreed to stop the practice of directly recognizing fines and penalties as income; and to require the Corporate Accounts Analyst to make adjustments on the income account in the financial statements.

We request that a status report, thru accomplishing the attached Agency Action Plan and Status of Implementation form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 88 of the General Provisions of the General Appropriations Act FY 2014.

We appreciate the invaluable support and cooperation extended by the officials and staff of that Agency to the Audit Team during the audit engagement.

 Very truly yours,

****

|  |
| --- |
| **BATO S. ALI, JR.** |
|  Director IV |
|  Regional Director |

Republic of the Philippines

**COMMISSION ON AUDIT**

**Regional Office No. X**

J.V. Seriña Street, Carmen, Cagayan de Oro City

**OFFICE OF THE REGIONAL DIRECTOR**

 June 19, 2015

**MS. ELSA P. PANORIL**

Chairman of the Board of Directors

Bacolod Water District

Bacolod, Lanao del Norte

Dear Director Panoril:

 We are pleased to transmit the Financial Audit Report on the audit of **Bacolod Water District**, Bacolod, Lanao del Norte, for the year ended December 31, 2014, in compliance with 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 District 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 results of the audit.

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We recommended and Management agreed to stop the practice of directly recognizing fines and penalties as income; and to require the Corporate Accounts Analyst to make adjustments on the income account in the financial statements.

We request that a status report, thru accomplishing the attached Agency Action Plan and Status of Implementation form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 88 of the General Provisions of the General Appropriations Act FY 2014.

We appreciate the invaluable support and cooperation extended by the officials and staff of that Agency to the Audit Team during the audit engagement.

 Very truly yours,

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| **BATO S. ALI, JR.** |
|  Director IV |
|  Regional Director |

Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. X

Cagayan de Oro City

**OFFICE OF THE SUPERVISING AUDITOR**

Audit Group CGS -Water Districts and Other CGS Stand-Alone Agencies

 March 9, 2015

**Atty. BATO S. ALI, JR.**

Regional Director

Commission on Audit

Regional Office No. X

Cagayan de Oro City

Sir:

 In compliance with Section 2, Article IX-D of the Philippines 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** for the year ended December 31, 2014.

 The audit was conducted to (a) verify the level of assurance that may be placed on management’s assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year’s audit recommendations.

 Our report consists of four parts, namely: Part I - Audited Financial Statements; Part II – Observations and Recommendations; Part III - Status of Implementation of Prior Year’s Audit Recommendations and Part IV – the 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 are free of material misstatements and are prepared in accordance with the state accounting principles.

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

Very truly yours,



|  |
| --- |
| **CAROLINA A. DIEZ** |
| 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 R10-02, Audit Group CGS – Water Districts

February 23, 2015

**MEMORANDUM for –**

**MS. CAROLINA A. DIEZ**

Supervising Auditor

CGS – Water Districts and Other CGS Stand-Alone Agencies

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, 2014.

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 Observations and Recommendations which were discussed with concerned management officials and staff during the exit conference held on February 12, 2015, 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, 2014 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 |
| OIC-Audit Team Leader |

**EXECUTIVE SUMMARY**

1. **INTRODUCTION**

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

The BWD is presently categorized as “Category D” Water District serving a total population of 13,560 as of December 31, 2014 with 2,972 total service connections.

As of December 31, 2014, the governing board of BWD is composed of personalities representing the different sectors and organization within the Municipality of Bacolod, who were appointed by the Local Chief Executive. They exercise corporate powers and determine policies for the operations of the District. They are as follows:

Chairman : **Ms. Elsa P. Panoril**

Members : **Ms. Carmen E. Aranas**

 **Ms. Leah A. Marcera**

 **Dra. Lerma C. Daraman**

All Local Water Districts in the Philippines were declared as Government-Owned and Controlled Corporations (GOCCs) with original charter (P.D. 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.”*

1. **FINANCIAL HIGHLIGHTS**

As of December 31, 2014, there was an increase of 2.15% in assets, decrease of an average of 1.50% in liabilities and increase of 19.62% in total government equity, summarized as follows:

**Financial Condition**

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2014*** | ***2013*** | ***Increase/ (Decrease)*** |
| Assets | ~~P~~ 28,224,405.79 | ~~P~~ 27,629,397.69 | ~~P~~ 595,009.10 |
| Liabilities | 22,512,479.98 | 22,854,423.32  | (341,943.34) |
| Government Equity | 5,711,925.81 | 4,774,974.37  | 936,951.44 |

For the Calendar Year 2014, the Water District generated a total income of ~~P~~9,773,174.17 from water sales, other businesses, fines and penalties, interest and miscellaneous income. An increase of ~~P~~540,663.24 or 5.86% was noted compared to previous year’s income of ~~P~~9,232,510.93. Details of its results of operations are presented below.

**Results of Operations**

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***2014*** | ***2013*** | ***Increase/ (Decrease)*** |
| Income | ~~P~~ 9,773,174.17 | ~~P~~ 9,232,510.93  | ~~P~~ 540,663.24 |
| Expenditures | 8,751,618.89 | 8,391,384.57  | 360,234.32 |
| Net Income  | 1,021,555.28 | 841,126.36  | 180,428.92 |

1. **OPERATIONAL HIGHLIGHTS**

As of December 31, 2014, the District is serving a total population of 13,560. It has a total service connections of 2,972 of which 2,712 are active and metered while 2,696 connections are billed. Total water sales billed for the year amounted to ~~P~~9,313,880.85 and collected a total of ~~P~~9,444,605.16, which includes collections for the current account, arrears-current year and arrears-previous years.

Water production as of December 31, 2014 reached 636,638 cubic meters of which the total accounted water was computed at 537,995 cubic meters or 84.51%, leaving a balance of 15.49% or 98,643 cu. meters as unaccounted water.

1. **SCOPE OF AUDIT**

A comprehensive audit was conducted on the accounts and operations of Bacolod Water District, Bacolod, Lanao del Norte. for the Calendar Year 2014.

The audit consisted of review of operating procedures, inspection of programs and projects, testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, interview with concerned officials and employees, 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 its financial performance and its 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.

1. **INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS**

 A Qualified Opinion was rendered on the financial statements of the District because of the overstatement of the Accounts Receivable and Income accounts by ~~P~~337,634.60 due to direct recognition of uncollected fines and penalties as income.

1. **SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS**
2. Cash advances granted to the Disbursing Officer (DO) for the salaries and wages of officers and employees and other personnel benefits were not classified as “Payroll Fund” contrary to COA Accounting Circular No. 2006-001 dated November 9, 2006, thereby affecting the proper presentation of the accounts in the financial statements.

We recommended and Management agreed to direct the Accounting Division to strictly adhere with the provisions of COA Accounting Circular No. 2006-001; record all cash advances related to salaries, wages and other personnel benefits as *“Payroll Fund”,* and use the appropriate report in the liquidation of the cash advance using the Cash Disbursements Report. For the travel and other special time-bounded advances, use the account *“Advances to Officers and Employees”* and in liquidating, use the Liquidation Report.

1. Fines and penalties for the CY 2014 totaling ~~P~~337,634.60 were directly recognized as income contrary to Section 112 of P.D. No. 1445, Section 19 of the NGAS Manual Volume I, and Paragraph 21 of Philippine Public Sector Accounting Standards (PPSAS) No. 9, thereby overstating the income account.

We recommended and Management agreed to stop the practice of directly recognizing fines and penalties as income; and to require the Corporate Accounts Analyst to make adjustments on the income account in the financial statements.

1. The District did not observe the prescribed New Government Accounting System (NGAS) forms for Disbursement Voucher (DV) and Budget Utilization Request (BUR) pursuant to COA Circular No. 2006-004 dated January 31, 2006, thus, accountability for expenditures is not properly established.

We recommended and Management agreed to:

* Strictly adhere to the provisions of COA Circular No. 2006-004 to use the correct DV and BUR Forms;
* Ensure that Box A of the DV is signed by the Head, Accounting Unit/Authorized Representative being the accountable officer who has the function of certifying the completeness of supporting documents; and
* Require the designated Budget Officer to prepare BUR for every transaction duly certified by the requesting officer on the necessity and legality of charges to appropriations under his/her supervision (Box A) and certification by the Head of the Budget Unit or its equivalent on the availability of appropriation/allotment and funds obligated for the purpose (Box B).
1. The District did not appropriate funds for the Disaster Risk Reduction and Management (DRRM) System, contrary to the Philippine Disaster Risk Reduction and Management Act of 2010 and Section 38 of the General Provisions of the General Appropriations Act of FY 2014, thus, disaster prevention, mitigation and preparedness were not properly addressed.

We recommended that the Management appropriate funds relative to DRRM and strictly adhere to the provisions for the implementation of relevant activities for knowledge building, awareness raising and disaster preparedness.

1. The Corporate Operating Budget (COB) of the District for CY 2014 was not submitted for review and evaluation to the Department of Budget and Management (DBM) contrary to DBM Corporate Budget Circular No. 20 dated April 27, 2005 and DBM Corporate Budget Memorandum No. 34 dated December 28, 2012, thus, compliance to the Philippine Development Plan for FYs 2011-2016 is not assured.

We recommended and Management agreed to submit their annual COB to the DBM.

1. The District was not able to submit its Annual GAD Plan and Budget (GPB) and Accomplishment Reports for CY 2014 to the government agencies concerned contrary to PCW-NEDA-DBM Joint Circular No. 2012-01, and Section 33 of the General Provisions of FY 2014 GAA. Moreover, the required 5% of the total agency budget which shall correspond to the activities supporting GAD plans, programs and activities was not fully appropriated.

We recommended and Management agreed to:

* Strictly adhere to the provisions of Section 33 of FY 2014 GAA and PCW-NEDA-DBM Joint Circular No. 2012-01;
* Instruct the GAD Focal Person, who serves as the technical working group, to provide directions and to coordinate the programs/projects/and activities on gender and development;
* Institute the monitoring processes, particularly in the formulation, assessment and updating the annual agency plan on the continuing basis so that GAD consciousness shall serve as foundation of its commitment to the program; and
* Prepare the GPB and GAD Accomplishment Report and submit to the PCW for evaluation and review and for endorsement to the DBM, copy furnished the Auditor within the reglementary period for audit purposes.
1. The District has not adequately implemented control measures to reduce the Non-Revenue Water (NRW) computed at 84,796 cubic meters costing ~~P~~150,314.07 for the CY 2014, which is equivalent to 16.00% (average) of the total water production of 529,958 cubic meters.

We recommended that the Management:

* Ensure that the problem on unaccounted water be properly addressed to prevent further revenue losses in its operations;
* Install adequate and proper safeguard and protection measures in the use of water and its facilities. Immediately attend to leakages and defective water meters; and
* Periodically conduct performance audit of water meters being used by customers to ensure its accuracy.

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

Of the nine (9) audit recommendations contained in the Annual Audit Report of the Water District for the Calendar Year 2013, eight were fully implemented, and only one was partially 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

**OFFICE OF THE SUPERVISING AUDITOR**

Audit Group CGS -Water Districts and Other CGS Stand-Alone Agencies

**INDEPENDENT AUDITOR’S REPORT**

**ENGR. NOEL L. RESABAL**

General Manager

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, 2014 and the Statements of Income and Expenses and Cash Flows for the year then 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 state accounting principles. 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 or 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 Public Sector 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, fines and penalties for the CY 2014 totaling ~~P~~337,634.60 were directly recognized as income contrary to Section 112 of P.D. No. 1445, Section 19 of the NGAS Manual Volume I, and Paragraph 21 of Philippine Public Sector Accounting Standards (PPSAS) No. 9, thereby overstating the income account.

*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, 2014 and of its financial performance and its cash flows for the year then ended in accordance with state accounting principles.

*Other Matters*

The exit conference for the results of the financial and compliance audit of the CY 2014 operations was conducted on February 12, 2015.

COMMISSION ON AUDIT

By:



**CAROLINA A. DIEZ**

State Auditor V

Supervising Auditor

February 23, 2015

Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. X

Cagayan de Oro City

**OFFICE OF THE SUPERVISING AUDITOR**

Audit Group CGS -Water Districts and Other CGS Stand-Alone Agencies

**INDEPENDENT AUDITOR’S REPORT**

**MS. ELSA P. PANORIL**

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, 2014 and the Statements of Income and Expenses and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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*Other Matters*

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COMMISSION ON AUDIT

By:



**CAROLINA A. DIEZ**

State Auditor V

Supervising Auditor

February 23, 2015

Republic of the Philippines

**BACOLOD WATER DISTRICT**

Bacolod, Lanao del Norte

TIN 004-367-022

CCC No. 543

**STATEMENT OF MANAGEMENT’S 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, 2014 and 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**

**Condensed Balance Sheet**

**As of December 31, 2014**

*(With comparative figures for CY 2013)*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| **ASSETS** | **2014** |  | **2013** |
| **Current Assets** |  |  |  |
|  | Cash and Cash Equivalents *[Note 1]* |  ~~P~~ 3,197,567.78  |  |  ~~P~~ 1,738,490.47  |
|  | Receivables, net of Allowance for Bad Debts *[Note 2]* |  1,121,489.42  |  |  1,263,318.54  |
|  | Inventories *[Note 3]* |  338,998.19  |  | 402,441.11  |
|  | Prepayments |  4,036.54  |  |  4,885.74  |
|  |  | Total Current Assets |  4,662,091.93  |  |  3,409,135.86 |
|  |  |  |  |  |  |
| **Property, Plant and Equipment** *[Note 4]* |  |  |
|  | Land and Land Improvements |  61,021.00  |  |  493,921.00  |
|  | Buildings | 9,338,106.30  |  | 628,673.08  |
|  | Office Equipment, Furniture and Fixtures |  366,542.63  |  |  471,595.23  |
|  | Machineries and Equipment |  19,150,670.93  |  |  18,518,856.75  |
|  | Transportation Equipment |  539,939.34  |  |  472,378.00  |
|  | Accumulated Depreciation |  (6,326,866.34)  |  |  (6,172,241.92) |
|  |  | Total Property, Plant and Equipment |  23,129,413.86  |  |  14,413,182.14  |
|  | Construction in Progress | 0.00 |  | 9,807,079.69 |
| **Other Assets** |  432,900.00  |  |  0.00  |
| **TOTAL ASSETS** |  **~~P~~ 28,224,405.79**  |  |  **~~P~~ 27,629,397.69**  |
|  |  |  |  |  |  |
|  |  |  |  |
| **LIABILITIES AND EQUITY** |  |  |  |
| **LIABILITIES** |  |  |  |
| Current Liabilities *[Note 5]* |  440,859.90  |  |  390,826.17  |
| Long-Term Liabilities *[Note 6]* |  22,070,370.08  |  |  22,461,097.15  |
| Deferred Credits | 1,250.00 |  | 2,500.00 |
|  | Total Liabilities |  22,512,479.98  |  |  22,854,423.32  |
| **EQUITY** *[Note 7]* |  |  |  |
|  | Government Equity |  0.00  |  |  0.00 |
|  | Donated Capital | 325,542.96 |  | 325,542.96 |
|  | Retained Earnings | 5,386,382.85 |  | 4,449,431.41 |
|  | Total Equity |  5,711,925.81  |  |  4,774,974.37 |
| **TOTAL LIABILITIES AND EQUITY** |  **~~P~~ 28,224,405.79**  |  |  **~~P~~ 27,629,397.69**  |

*(See accompanying Notes to Financial Statements)*

**BACOLOD WATER DISTRICT**

**Statement of Income and Expenses**

**For the Year Ended December 31, 2014**

*(With comparative figures for CY 2013)*

|   | **2014** | **2013** |
| --- | --- | --- |
| **INCOME** *[Note 8]* |   |   |
| Business Income |   |   |
| Income from Waterworks Systems | ~~P~~ 8,976,246.26  | ~~P~~ 8,489,290.90  |
| Other Business |  178,330.00  |  177,010.00  |
| Fines and Penalties |  337,634.60  |  319,524.45  |
| Miscellaneous Income | 275,940.09 | 242,021.45 |
| Other Income |   |   |
| Interest |  5,023.22  |  4,664.13  |
| **TOTAL INCOME** |  **9,773,174.17**  |  **9,232,510.93**  |
|   |   |   |
| **EXPENSES** *[Note 9]* |   |   |
| Personal Services |   |   |
| Salaries and Wages-Regular |  2,245,201.00 |  2,070,724.00  |
| Other Compensation  | 724,897.27 | 0.00 |
| Personnel Benefits Contributions | 320,757.42 |  295,534.28  |
| Other Personnel Benefits | 439,583.86 |  1,086,805.54  |
| Maintenance and Other Expenses |  |   |
| Travel Expenses-Local | 102,398.00 | 114,236.00 |
| Training Expenses | 65,325.00 | 70,100.00 |
| Gasoline, Oil and Lubricants | 115,580.25 | 1,204,550.16 |
| Other Supplies Expenses | 88,736.15 | 82,900.80 |
| Electricity Expenses | 54,242.82 | 0.00 |
| Water Expenses | 3,604.20 | 0.00 |
| Postage and Deliveries | 4,045.00 | 0.00 |
| Telephone Expenses-Landline | 15,753.44 | 66,874.14 |
| Telephone Expenses-Mobile | 26,244.00 | 0.00 |
| Internet Expenses | 21,375.00 | 0.00 |
| Cable, Satellite, Telegraph and Radio Expenses | 4,340.00 | 0.00 |
| Membership Dues and Contribution to Org. | 22,509.75 | 30,303.22 |
| Advertising | 165,386.40 | 49,788.95 |
| Printing and Binding | 32,575.00 | 66,500.00 |
| Rent | 78,000.00 | 75,700.00 |
| Representation Expenses | 97,549.30 | 102,948.55 |
| Transportation and Delivery Expenses | 2,878.78 | 6,238.94 |
| Legal Services | 2,500.00 | 66,348.48 |
| Security Services | 144,000.00 | 0.00 |
| Repairs and Maintenance | 339,473.64 | 502,218.64 |
| Donations  | 16,500.00 | 16,180.00 |
| Taxes, Duties and Licenses | 190,834.36 | 187,176.92 |
| Insurance Expenses | 9,090.52 | 0.00 |
| Bad Debts Expenses | 29,117.48 | 29,236.74 |
| Depreciation Expenses | 753,950.75 | 678,053.14 |
| Loss on Sale of Disposed Assets | 145,002.28 | 0.00 |
| Other Maintenance and Operating Expenses | 1,181,058.29 | 236,980.34 |
| Financial Expenses |  |  |
| Interest Expenses | 1,309,108.93 | 1,351,985.73 |
| **TOTAL EXPENSES** |  **8,751,618.89**  |  **8,391,384.57**  |
|   |   |   |
| **NET INCOME AFTER TAX** | **~~P~~ 1,021,555.28**  | **~~P~~ 841,126.36**  |

*(See accompanying Notes to Financial Statements)*

**BACOLOD WATER DISTRICT**

**Statement of Cash Flows**

**For the Year Ended December 31, 2014**

*(With comparative figures for CY 2013)*

|  |  |  |
| --- | --- | --- |
|  | ***2014*** | ***2013*** |
| **Cash Flows from Operating Activities** |  |   |
| **Cash Inflows:** |   |   |
| Service Income | ~~P~~ 9,454,750.30  | ~~P~~ 8,840,754.38  |
| Business Income | - | - |
| Other Income | 789,966.40  | 644,071.65  |
| Other Receipts | 66,195.24  | 34,379.09  |
| Total Cash Inflows |  10,310,911.94  |  9,519,205.12  |
| **Cash Outflows:** |   |   |
| Personal Services | 3,730,439.55  | 2,070,724.00  |
| Maintenance and Other Operating Expenses | 3,427,017.08  | 5,095,411.85  |
| Interest Expense |  - |  - |
| Purchase of Inventories | - | 287,041.38  |
| Payables | - | - |
| Other Disbursements |  - |  - |
| Total Cash Outflows |  7,157,456.31  |  7,453,177.23  |
| ***Net Cash from Operating Activities*** |  ***3,153,455.31*** |  ***2,066,027.89*** |
|   |   |   |
| **Cash Flows from Investing Activities** |  |  |
| **Cash Inflows:** |  |  |
| Sale of Property, Plant and Equipment |  5,458.00 | - |
| Interest and Dividends | - | - |
| Total Cash Inflows |  5,458.00 | - |
| **Cash Outflows:** |  |  |
| Purchase of Property, Plant and Equipment | - | 107,388.93 |
| Grant of Loans | - | - |
| Total Cash Outflows | - | 107,388.93 |
| ***Net cash from investing activities*** |  ***5,458.00*** |  ***(107,388.93)*** |
|   |   |   |
| **Cash Flows from Financing Activities** |  |  |
| **Cash Inflows:** |  |  |
| Acquisition of Loan | - | - |
| Total Cash Inflows | - | - |
| **Cash Outflows:** |  |  |
| Loan Amortization | 1,699,836.00 | 1,699,836.00 |
| Retirement/Redemption of Debt Securities | - | - |
| Financial Expenses | - | - |
| Total Cash Outflows | 1,699,836.00 | 1,699,836.00 |
| ***Net Cash from Financing Activities*** | ***(1,699,836.00)*** | ***(1,699,836.00)*** |
| **Net increase in Cash and Cash Equivalents** |  **1,459,077.31** |  **258,802.96** |
| **Cash and Cash Equivalents at Beg. of Period** | **1,738,490.47**  | **1,479,687.51**  |
| **Cash and Cash Equivalents at End of Period** | **~~P~~ 3,197,567.78**  | **~~P~~ 1,738,490.47**  |

**BACOLOD WATER DISTRICT**

**Statement of Changes in Government Equity**

**For the Year Ended December 31, 2014**

*(With comparative figures for CY 2013)*

|  |  |  |
| --- | --- | --- |
|  |  |  |
|  | ***2014*** | ***2013*** |
|   |   |   |
| **Government Equity** |  |  |
| Balance at Beginning of Period |   |   |
| Additions (Deductions) |   |   |
| ***Balance at End of Period*** | ***-*** | ***-*** |
|   |  |  |
| **Donated Capital** |  |  |
| Balance at Beginning of Period | ~~P~~ 325,542.96  | ~~P~~ 325,542.96  |
| Additions (Deductions) | - | - |
| ***Balance at End of Period*** |  ***325,542.96***  |  ***325,542.96***  |
|   |   |   |
| **Retained Earnings** |  |  |
| Balance at Beginning of Period |  4,449,431.41  |  3,603,872.75  |
| Changes During the Period | - | - |
| Prior Year’s Depreciation | (122,931.24) | - |
| Reversal of Doubtful Accounts | 4,616.40 | 4,432.30 |
| Disallowance-BOD | 40,000.00 | - |
| Erroneous Entry | (89.00) | - |
| Office Supplies Inventory | (6,200.00) | - |
| Income Tax CY2005 | - | - |
| Net Income/(Loss) | 1,021,555.28  | 841,126.36  |
| ***Balance at End of Period*** |  ***5,386,382.85***  |  ***4,449,431.41***  |
| **TOTAL EQUITY** | **~~P~~ 5,711,925.81**  | **~~P~~ 4,774,974.37**  |

**NOTES TO FINANCIAL STATEMENTS**

**Brief Historical Background**

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

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.
* Property, Plant and Equipment (PPE)

Property, Plant and Equipment (PPE) are 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.

**NOTE 1. CASH AND CASH EQUIVALENTS**

1. **Cash - Collecting Officer** - represents collections after the cut-off.

|  |  |  |
| --- | --- | --- |
|  | ***2014*** | ***2013*** |
| Cash - Collecting Officer | ~~P~~ 89,450.80 | ~~P~~ 29,129.31  |

1. **Cash in Bank** - consists of the following:

|  |  |  |
| --- | --- | --- |
|  | ***2014*** | ***2013*** |
| General Fund C/A#0322106653 | ~~P~~ 1,361,843.63  |  ~~P~~ 446,135.74  |
| Reserve Fund S/A#0321116515 |  1,541,187.01  | 1,178,432.27  |
| Time Deposit S/A#0321223303  |  205,086.34  | 84,793.15  |
| Total  | ~~P~~ 3,108,116.98 | ~~P~~ 1,709,361.16 |

|  |  |  |
| --- | --- | --- |
| **TOTAL CASH AND CASH EQUIVALENTS** | **~~P~~ 3,197,567.78****============** | **~~P~~ 1,738,490.47****============** |

**NOTE 2. RECEIVABLES -** This includes all amounts due on open accounts arising from the services rendered to customers for water sales and incidental services.

|  |  |  |
| --- | --- | --- |
|  | ***2014*** | ***2013*** |
| Accounts Receivable |  ~~P~~ 853,735.86  |  ~~P~~ 845,770.20  |
| Installment Sales Receivable |  358,749.25  | 484,042.95  |
| Other Receivables | 32,171.63  | 32,171.63 |
| Allowance for Doubtful Accounts | (123,167.32) | (98,666.24) |
| **TOTAL RECEIVABLES** | **~~P~~ 1,121,489.42****============** | **~~P~~ 1,263,318.54****============** |

**NOTE 3. INVENTORIES**

|  |  |  |
| --- | --- | --- |
|  | ***2014*** | ***2013*** |
| Office Supplies Inventory |  ~~P~~ 14,650.00  |  ~~P~~ 0.00  |
| Service Connection Materials Inventory |  324,348.19  |  402,441.11  |
| **TOTAL INVENTORIES** | **~~P~~ 338,998.19****============** | **~~P~~ 402,441.11****============** |

**NOTE 4. PROPERTY, PLANT AND EQUIPMENT-** This includes the following:

|  |  |  |  |
| --- | --- | --- | --- |
| ***Account*** | ***Cost*** | ***Accumulated Depreciation*** | ***Net*** ***Book Value*** |
| Buildings-Other Structures |  ~~P~~ 9,338,106.30  | ~~P~~ 356,579.17 | ~~P~~ 8,981,527.13 |
| Office Furniture and Equipment | 366,542.63  | 163,677.79 | 202,864.84 |
| Machineries |  1,301,075.11  | 554,905.49 | 746,169.62 |
| Communication Equipment | 44,790.50 | 39,295.09 | 5,495.41 |
| Others-Tools, Shops and Garage | 136,257.84 | 111,838.01 | 24,419.83 |
| Transportation Equipment |  539,939.34  | 176,828.56 | 363,110.78 |
| Others | 17,729,568.48--------------------  |  4,923,742.23-------------------  |  12,805,826.25--------------------  |
| **TOTAL** | **~~P~~ 29,456,280.20****============**  | **~~P~~ 6,326,866.34****===========**  | **~~P~~ 23,129,413.86****============**  |

**NOTE 5. CURRENT LIABILITIES**

|  | ***2014*** | ***2013*** |
| --- | --- | --- |
| Accounts Payable |  ~~P~~ 214,504.00  |  ~~P~~ 51,927.50  |
| Due to Officers and Employees | 27,416.40 | 0.00 |
| Accrued Expenses Payable | 0.00 | 94,105.81 |
| Due to BIR |  17,607.50  | 86,102.17 |
| Due to GSIS | 79,994.16 | 62,107.50 |
| Due to Pag-IBIG | 21,180.69 | 16,751.04 |
| Due to PhilHealth | 4,275.00 | 3,950.00 |
| Due to NGAs | 37,783.15 | 37,783.15 |
| Guaranty Deposits Payable | 38,099.00 | 38,099.00 |
| **TOTAL CURRENT LIABILITES** | **~~P~~ 440,859.90****============** | **~~P~~ 390,826.17****============** |

**NOTE 6. LONG-TERM LIABILITIES**

This consists of Loans Payable to LWUA. The loans were availed by the District to finance its various water system projects.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Loan Type* | *Interest Rate* | *Amortization* | *2014* | *2013* |
| 3-766 | 8.50% | 22,438.00 | ~~P~~ 1,935,714.08 | ~~P~~ 2,025,517.15 |
| 4-2258A | 12.50% | 105,525.00 | 7,629,234.00 | 7,888,025.00 |
| 4-2258B | 12.50% | 16,690.00 | 1,241,924.00 | 1,284,057.00 |
| NLIF |  |  | 11,263,498.00--------------------- | 11,263,498.00------------------- |
| **TOTAL** |  |  | **~~P~~ 22,070,370.08****============** | **~~P~~ 22,461,097.15****===========** |

**NOTE 7. EQUITY**

|  |  |  |
| --- | --- | --- |
|  | ***2014*** | ***2013*** |
| Government Equity | ~~P~~ 0.00  | ~~P~~ 0.00 |
| Donated Capital | 325,542.96 | 325,542.96 |
| Retained Earnings:Beginning BalancePrior Year’s AdjustmentsNet Income | 4,449,431.41(84,603.84)1,021,555.28 |  3,603,872.754,432.30841,126.36 |
| **TOTAL EQUITY** | **~~P~~ 5,711,925.81****============** | **~~P~~ 4,774,974.37****============** |

**NOTE 8. INCOME**

|  | ***2014*** | ***2013*** |
| --- | --- | --- |
| Income from Waterworks System |  ~~P~~ 8,976,246.26  | ~~P~~ 8,489,290.90  |
| Other Business Income |  178,330.00  |  177,010.00  |
| Fines and Penalties |  337,634.60 |  319,524.45 |
| Interest Income  | 5,023.22 | 4,664.13 |
| Miscellaneous Income | 275,940.09 | 242,021.45 |
| **TOTAL INCOME** | **~~P~~ 9,773,174.17****=============** | **~~P~~ 9,232,510.93****=============** |

**NOTE 9. EXPENSES**

| ***Personal Services:*** | ***2014*** | ***2013*** |
| --- | --- | --- |
| Salaries and Wages - Regular  | ~~P~~ 2,245,201.00  | ~~P~~ 2,070,724.00  |
| Personnel Economic Relief Allowance | 264,000.00 | 0.00 |
| Representation Allowance | 60,000.00 | 0.00 |
| Transportation Allowance | 60,000.00 | 0.00 |
| Clothing/Uniform Allowance | 55,000.00 | 0.00 |
| Honoraria | 120,960.00 | 0.00 |
| Overtime and Night Pay | 164,937.27 | 0.00 |
| Other Bonuses and Allowance | 102,000.00 | 0.00 |
| Cash Gift | 55,000.00 | 000 |
| Year-End Bonus | 192,126.00 | 0.00 |
| GSIS Life and Retirement Insurance Contributions | 269,424.12 | 295,534.28 |
| Pag-IBIG Contributions | 13,200.00 | 0.00 |
| PhilHEALTH Contributions | 25,162.50 | 0.00 |
| ECC Contributions | 12,970.80 | 0.0 |
| Other Personnel Benefits |  90,457.86---------------------  |  1,086,805.54--------------------  |
| **Total Personnel Services** | **~~P~~ 3,730,439.55****---------------------** | **~~P~~ 3,453,063.82****--------------------** |
|  |  |  |
| ***Maintenance and Other Operating Expenses:*** |  |  |
| Travelling Expenses - Local | 102,398.00 | 114,236.00 |
| Training Expenses | 65,325.00 | 70,100.00 |
| Gasoline, Oil and Lubricants | 115,580.25 | 1,204,550.16 |
| Other Supplies Expense | 88,736.15 | 82,900.80 |
| Electricity Expense | 54,242.82 | 0.00 |
| Water Expenses | 3,604.20 | 0.00 |
| Postage and Deliveries | 4,045.00 | 0.00 |
| Telephone Expenses - Landline | 15,753.44 | 66,874.14 |
| Telephone Expenses - Mobile | 26,244.00 | 0.00 |
| Internet Expenses | 21,375.00 | 0.00 |
| Cable, Satellite, Telegraph and Radio Exp. | 4,340.00 | 0.00 |
| Membership Dues and Contribution to Org. |  22,509.75 | 30,303.22 |
| Advertising | 165,386.40 | 49,788.95 |
| Printing and Binding | 32,575.00 | 66,500.00 |
| Rent | 78,000.00 | 75,700.00 |
| Representation Expenses | 97,549.30 | 102,948.55 |
| Transportation and Delivery Expenses | 2,878.78 | 6,238.94 |
| Legal Services | 2,500.00 | 66,348.48 |
| Security Services | 144,000.00 | 0.00 |
| Repairs and Maintenance : |  | 502,218.64 |
|  Office Equipment | 8,855.00 |  |
|  Communication Equipment | 850.00 |  |
|  Other Machineries  | 22,944.75 |  |
|  Motor Vehicles | 79,460.13 |  |
|  Other Property, Plant and Equipment | 227,363.76 |  |
| Donations | 16,500.00 | 16,180.00 |
| Taxes, Duties and Licenses | 190,834.36 | 187,176.92 |
| Insurance Expenses | 9,090.52 | 0.00 |
| Bad Debts Expense | 29,117.48 | 29,236.74 |
| Depreciation Expenses: |  | 678,053.14 |
|  Office Equipment | 25,935.38 |  |
|  Other Structures | 59,417.82 |  |
|  Machineries  | 125,662.88 |  |
|  Communication Equipment | 921.64 |  |
|  Other Machineries and Equipment | 69,270.23 |  |
|  Motor Vehicles | 55,559.04 |  |
|  Other Property, Plant and Equipment | 417,183.76 |  |
| Loss on Sale of Disposed Assets | 145,002.28 |  |
| Other Maintenance and Operating Expenses | 1,181,058.29---------------------  |  236,980.34---------------------  |
| **Total Maintenance and Operating Expenses** |  **3,712,070.41****---------------------** |  **3,586,335.02****---------------------** |
|  |  |  |
| ***Financial Expenses:*** |  |  |
| Interest (Loans Interest) |  1,309,108.93 |  1,351,985.73  |
|  |  |  |
| **TOTAL EXPENSES** | **~~P~~ 8,751,618.89****=============** |  **~~P~~ 8,391,384.57****=============** |

**PART II –**

**OBSERVATIONS AND RECOMMENDATIONS**

**PART II - OBSERVATIONS AND RECOMMENDATIONS**

1. **FAVORABLE OBSERVATIONS**

It is noteworthy to mention that during the year in audit, the Management acted upon the recommendations of the Audit Team contained in the three Audit Observations Memorandum (AOM) issued on different dates in CY 2014. Such recommendations include the (a) submission of the required documents to support the claim of loyalty benefits; (b) maintenance by the Cashier/Disbursing Officer (DO) of the Cash Disbursements Record (CDR) to record all cash advances received and disbursements made out of the cash advances and the preparation of the Report of Disbursements (ROD) supported with the paid payrolls duly acknowledged by the payees and submits to the Corporate Accounts Analyst for the preparation of JEV and final recording to the Cash Disbursement Journal; and (c) compliance of the Management with the provisions of the Revised IRR of R.A. 9184 with regard to the composition of the BAC.

1. **FINANCIAL AND COMPLIANCE AUDIT**

**Cash Advances for Salaries and Wages Not Classified as Payroll Fund**

**1. Cash advances granted to the Disbursing Officer (DO) for the salaries and wages of officers and employees and other personnel benefits were not classified as “Payroll Fund” contrary to COA Accounting Circular No. 2006-001 dated November 9, 2006, thereby affecting the proper presentation of the accounts in the financial statements.**

COA Accounting Circular No. 2006-001 dated November 9, 2006 prescribes the policies clarifying the recording of certain transactions under the cash accounts and the use of appropriate accounts under the New Government Accounting System (NGAS) to ensure their accurate recording and proper presentation in the financial statements. These transactions are cash advance for payroll, cash advance for specific purpose, fund transfer to field offices and to overseas offices.

Under the NGAS, payment of salaries, wages and other remunerations to the personnel may be made through the following:

1. Cash Advances are drawn by the DO and paid in cash to the employees;
2. Amount is deposited in an authorized depository bank, and withdrawn by the employees through the automated teller machine (ATM); and
3. Direct payment to employees by individual checks.

Audit of the transactions for Calendar Year 2014 disclosed that disbursements of various payrolls drawn under the name of the DO amounting to **~~P~~253,062.00** ***(Annex A)*** for personnel bonuses and allowances and labor for job order/pakyaw contracts were directly recognized as expense contrary to COA Circular No. 2006-001. Likewise, cash advances granted to the DO amounting to **~~P~~754,009.11** ***(Annex B)*** for the honorarium of the Board of Directors (BOD), salaries and wages of personnel were recorded as “Advances to Officers and Employees” instead of “Payroll Fund”.

As required in COA Accounting Circular No. 2006-001, cash advances granted to the DO for the salaries and wages of officers and employees and other personnel benefits shall be classified as **“Payroll Fund”** to distinguish it from the other cash advances given to the DO. It shall be liquidated within five days after the pay period.

Further, cash advances granted for travel and other special time-bound undertaking shall be accounted for as **“Advances to Officers and Employees”** to establish the accountability of the recipient. This shall be settled after the travel or completion of the undertaking for which it was granted.

The practice of directly recognizing the advances on salaries and wages and other personnel benefits as outright expense is violative of the above regulation and renders the monitoring of cash advances difficult.

In addition, the cash accounts are not properly presented in the District’s financial statements.

**We recommended and Management agreed to direct the Accounting Division to strictly adhere with the provisions of COA Accounting Circular No. 2006-001; record all cash advances related to salaries, wages and other personnel benefits as *“Payroll Fund”,* and use the appropriate report in the liquidation of the cash advance using the Cash Disbursements Report. For the travel and other special time-bounded advances, use the account *“Advances to Officers and Employees”* and in liquidating, use the Liquidation Report.**

**Fines and Penalties Directly Recognized as Income**

**2. Fines and penalties for the CY 2014 totaling ~~P~~337,634.60 were directly recognized as income contrary to Section 112 of P.D. No. 1445, Section 19 of the NGAS Manual Volume I, and Paragraph 21 of Philippine Public Sector Accounting Standards (PPSAS) No. 9, thereby overstating the income account.**

Section 112 of P.D. No. 1445 states that each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations.

Section 19 of the NGAS Manual Volume I provides that fines and penalties, either from tax revenue or other specific income, shall be recognized as income of the year these were collected.

PPSAS 9, Paragraph 21, as adopted by COA Resolution No. 2014-003 dated January 24, 2014 (adopting the IPSAS or the International Public Sector Accounting Standards) states that Revenue is recognized only when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognized as an expense, rather than as an adjustment of the amount of revenue originally recognized.

Further, the objectivity principle holds that accounting should be based, to the fullest extent possible, on objective data. The accounting data recorded in the books of accounts as well as those reported in the financial statements (FS) should be the result of completed transactions.

Records disclosed that the district recorded as credits to income account, the fines and penalties computed at 10% of the previous month’s unpaid basic monthly minimum fee, in the monthly billing summary generated by the district’s billing and collection system, summarized as follows:

|  |  |
| --- | --- |
| ***Monthly Billing*** | ***Amount of Fines and Penalties*** *(net of adjustments)* |
| 1. January 2014 | ~~P~~ 31,664.80 |
| 2. February 2014 | 25,087.40 |
| 3. March 2014 | 23,550.80 |
| 4. April 2014 | 27,339.75 |
| 5. May 2014 | 31,143.50 |
| 6. June 2014 | 29,735.10 |
| 7. July 2014 | 27,349.40 |
| 8. August 2014 | 30,372.95 |
| 9. September 2014 | 29,206.40 |
| 10. October 2014 | 22,514.70 |
| 11. November 2014 | 25,594.45 |
| 12. December 2014 | 34,075.35 |
|  | ------------------- |
| **TOTAL** | **~~P~~ 337,634.60****===========** |

The journal entry made by accounting unit recognizing the above fines and penalties as income was debit to Accounts Receivable-Customers and credit to Fines and Penalties-Business Income.

Records disclosed that payments received from customers for water bills were debited to Cash and credited to Accounts Receivable-Customers. Records of collections were traced and verified, however, no breakdown were shown. Hence, the recorded penalties could not be determined as fully collected.

As a result, the above fines and penalties directly recognized/recorded as income overstated the income in the financial statements.

**We recommended and Management agreed to stop the practice of directly recognizing fines and penalties as income; and to require the Corporate Accounts Analyst to make adjustments on the income account in the financial statements.**

**Non-Observance of the Prescribed NGAS Forms for DV and BUR**

**3. The District did not observe the prescribed New Government Accounting System (NGAS) forms for Disbursement Voucher (DV) and Budget Utilization Request (BUR) pursuant to COA Circular No. 2006-004 dated January 31, 2006, thus, accountability for expenditures is not properly established.**

Section 2 (2), Article IX-D of the 1987 Philippine Constitution mandates the COA to “xxx promulgate accounting and auditing rules and regulations xxx”.

COA Circular No. 2005-001 dated February 28, 2005 defines the roles and functions of the Heads of Budget or its equivalent in the certification as to the availability of funds and obligations on contracts/purchase orders and all claims against the government agencies. It also prescribes the revised forms for use in the obligation/utilization and disbursement of funds.

Section 2 of COA Circular No. 2006-004 dated January 31, 2006 which reinstates with amendments on COA Circular No. 2005-001 dated February 28, 2005 redefines the roles and responsibilities of the Heads of the Requesting Unit, Budget Unit, Accounting Unit and Treasury Department which are hereby set forth as follows:

*2.1 The Head of the Requesting Unit shall prepare the Budget Utilization Request (BUR) and the Disbursement Voucher (DV) and certify on the necessity and legality of changes to budget under his supervision. He shall also certify the validity, propriety and legality of supporting documents;*

*2.2 The Head of the Budget Unit shall certify the availability of budget and maintain the Registry of Budget and Utilization (RBU);*

*2.3 For contract or purchase order, the Head of the Accounting Unit shall certify the availability of funds based on BUR duly certified by the Head of the Budget Unit;*

*2.4 The Head of the Accounting Unit shall certify the completeness of supporting documents in the DV;*

*2.5 The Head of Treasury Department shall prepare the Daily Cash Position Report to be submitted to the Chief Executive Officer of the Corporation.*

Review of disbursements of the District show that the form of DV is not in accordance with what has been prescribed for GOCCs under COA Circular No. 2006-004. It was also noted that signatories are more than the required number and their functions and certifications are inconsistent with what is required with their functions. Illustration below show the existing practice of the District as compared with the required DV under NGAS:

|  |  |  |
| --- | --- | --- |
| ***Particulars*** | ***NGAS Prescribed D. V.*** | ***D. V. of Bacolod WD*** |
| Box A | Certified supporting documents complete by the Head of Accounting Unit or authorized representative | Certified by the General Manager: Expenses/Cash Advances necessary, lawful and incurred under his/her direct supervision |
| Box B | Approved for Payment by Agency Head or authorized representative | Certified by the Accounting Processor: Supporting documents complete and proper; and previous cash already liquidated |
| Box C | Acknowledgement by the claimant or his duly authorized representative for the receipt of the check/cash and the date of receipt. The claimant /payee shall indicate the no. and date of check/ADA, bank’s name and branch and number and date of OR/other relevant document issued to acknowledge the receipt of payment. | Certified by the Cashier: Cash availability |
| Box D | Journal Entry Voucher, No. and date | Approved for Payment by the GM |
| Box E | - | Acknowledgement by the claimant or his duly authorized representative for the receipt of the check |

Further, we also noted that the District failed to prepare BUR for the utilization of the budget duly certified by the Budget Officer (BO) or its equivalent as to the availability of funds/appropriation.

 The use of DV form and BUR shown as Annex in the Circular is prescribed to be able to determine the responsibility and liability of the accountable persons for the improper utilization/ disbursements of government funds.

**We recommended and Management agreed to:**

* **Strictly adhere to the provisions of COA Circular No. 2006-004 to use the correct DV and BUR Forms;**
* **Ensure that Box A of the DV is signed by the Head, Accounting Unit/Authorized Representative being the accountable officer who has the function of certifying the completeness of supporting documents; and**
* **Require the designated Budget Officer to prepare BUR for every transaction duly certified by the requesting officer on the necessity and legality of charges to appropriations under his/her supervision (Box A) and certification by the Head of the Budget Unit or its equivalent on the availability of appropriation/allotment and funds obligated for the purpose (Box B).**

**Disaster Risk Management**

**4. The District did not appropriate funds for the Disaster Risk Reduction and Management (DRRM) System, contrary to the Philippine Disaster Risk Reduction and Management Act of 2010 and Section 38 of the General Provisions of the General Appropriations Act of FY 2014, thus, disaster prevention, mitigation and preparedness were not properly addressed.**

Republic Act No. 10121 more popularly known as *the “Philippine Disaster Risk Reduction and Management Act of 2010”* aims to strengthen the governance framework for National Disaster Risk Reduction and Management (NDRRM) and institutionalize the NDRRM Plan.

This Act provides for the development of policies and plans and the implementation of actions and measures pertaining to all aspects of DRRM, including good governance, risk assessment and early warning, knowledge building and awareness raising, reducing underlying risk factors, and preparedness for effective response and early recovery. Hence, the law seeks to ensure that government agencies and LGUs give top priority and take adequate and appropriate measures in disaster risk reduction and management.

As stated under Rule 19, Section 5 of the Implementing Rules and Regulations of the law, all departments, bureaus, offices and agencies of the government are authorized to use a portion of their appropriations to implement projects designed to address DRRM activities in accordance with the guidelines to be issued by the National Disaster Risk Reduction and Management Council (NDRRMC) in coordination with the DBM.

Further, Section 38 of the General Provisions of the GAA of FY 2014 speaks of the Disaster Prevention, Mitigation and Preparedness Projects, which states that all agencies of the government are encouraged to implement projects designed to address DRRM activities under R.A. No. 10121.

Review of the District’s Annual Budget for CY 2014 revealed no appropriation of funds made for DRRM. Also, the said budget does not present inclusion of activities of such a nature as to address concerns of DRRM.

Due to the District’s failure to appropriate funds for disaster risk reduction and management, its employees were deprived of the benefits that the Government has provided to address the risk brought by geophysical phenomena and man-made disasters. Hence, as of writing, the District has not placed this initiative at top priority and therefore falls short of disaster preparedness.

 **We recommended that the Management appropriate funds relative to DRRM and strictly adhere to the provisions for the implementation of relevant activities for knowledge building, awareness raising and disaster preparedness.**

*Management Comment:*

The Management commented that they will appropriate funds for the DRRM in CY 2016 budget as the CY 2015 Corporate Operating Budget (COB) has already been approved.

**District’s Properties not insured with GSIS**

**5. Properties of the District were not insured against any insurable risk with the GSIS contrary to Section 5 of RA 656, as amended, thus, it cannot be indemnified in case of loss of property due to fire, storm and other calamities.**

Section 5 of R.A. 656 or the Property Insurance Law states that every government, except a municipal government below first class, is hereby required to insure its properties against any insurable risk herein provided and pay the premiums thereon, which, however, shall not exceed the premiums charged by private insurance companies in order to indemnify or compensate the Government any damage to or loss of, its properties due to fire, earthquake, storm or other casualty.

Section 11 thereof also provides that each government as defined herein shall include in its annual appropriation the amount necessary to cover the premiums for the insurance of its properties during each fiscal period and remit the same immediately to the System (Government Service Insurance System).

Records disclosed that for the CY 2014, the properties of the District were not insured with the Government Service Insurance System (GSIS). Verification of the approved budget for the year revealed that the District has not provided or appropriated any amount necessary to cover the premiums for the insurance of its properties.

As a result, the District cannot be indemnified or compensated in case of any damage or loss of its properties due to fire, earthquake, typhoon and other force majeure and/or calamities.

**We recommended and Management agreed to insure its properties with GSIS and to provide appropriate amount in its Corporate Operating Budget (COB) for the purpose.**

**Compliance with DBM-Approved Corporate Operating Budget (COB)**

**6. The Corporate Operating Budget (COB) of the District for CY 2014 was not submitted for review and evaluation to the Department of Budget and Management (DBM) contrary to DBM Corporate Budget Circular No. 20 dated April 27, 2005 and DBM Corporate Budget Memorandum No. 34 dated December 28, 2012, thus, compliance to the Philippine Development Plan for FYs 2011-2016 is not assured.**

DBM Corporate Budget Circular No. 20 dated April 27, 2005 mandates the Government and/or Controlled Corporations (GOCCs) to prepare and submit their COB prior to the ensuing fiscal year for approval.

Further, DBM Corporate Budget Memorandum No. 34 dated December 28, 2012 provides for the Policy Guidelines and Procedures in the preparation and submission of budget proposal for the CY 2014, which states, among others, the following:

6.1 All GOCCs/GFIs shall accomplish the prescribed budget forms with specific guidelines indicated in each form.

6.3 The FY 2013 portion/column of the FY 2014 Budget Proposal under this Budget Memorandum shall already be considered as the GOCC/GFI COB of the said year which shall observe the guidelines prescribed under Corporate Budget Circular No. 20 dated April 27, 2005.

6.4 The amounts indicated in the FY 2012 column and previous years of the prescribed forms should be consistent with the available Annual COA Audited Financial Statements.

6.5 The GOCCs/GFIs budget proposals shall include the following:

* Approval of the Governing Board through a duly certified Board Resolution;
* Letter of endorsement by the Head of GOCC/GFI;
* Five (5) complete sets of properly accomplished Budget Forms; and
* Five (5) copies each of the FY 2011 and FY 2012 Accomplishment Report

6.6 The FY 2014 Budget Proposals shall be submitted to the Budget and Management Bureau – 4th Floor, Boncodin Hall, General Solano Street, San Miguel, Manila on or before April 15, 2013.

The above Budget Memorandum aims to strengthen the linkage between development planning and budgeting and increase the likelihood of accomplishing development goals by considering the resource requirements of key agencies as manifested in the Philippine Development Plan (PDP) for FYs 2011-2016.

Records disclosed that the District’s COB for Calendar Year 2014, as approved by the BOD was not submitted for review and evaluation to the DBM pursuant to the above-cited rules and regulations, thus, resulting to the implementation of the District’s budget without the proper guidance of the DBM having oversight functions of the government agency’s budgetary requirements.

As a result, the DBM was not able to ensure that the budget of the District is consistent with the national development plan and follow the budgetary standards and guidelines adopted for all agencies and instrumentalities of the government.

**We recommended and Management agreed to submit their annual COB to the DBM.**

**Implementation of GAD Plan and Budget**

**7. The District was not able to submit its Annual GAD Plan and Budget (GPB) and Accomplishment Reports for CY 2014 to the government agencies concerned contrary to PCW-NEDA-DBM Joint Circular No. 2012-01, and Section 33 of the General Provisions of FY 2014 GAA. Moreover, the required 5% of the total agency budget which shall correspond to the activities supporting GAD plans, programs and activities was not fully appropriated.**

Section 8.0 of PCW-NEDA-DBM Joint Circular No. 2012-01 provides that agencies of the government shall submit their Annual GPB and the corresponding GAD Accomplishment Reports thru its GAD Focal Point System (GFPS) to the PCW for review and evaluation. Upon receipt and acceptance of the GPBs, the PCW shall endorse all GPBs and returns these to the different agencies for their submission to the DBM.

Section 10.0 of the same Joint Circular requires that all agencies and government instrumentalities shall submit their annual GAD Accomplishment Reports accompanied by the following; (1) brief summary of the reported program or project; (2) copies of reported policy issuances; (3) results of HGDG tests, if any; and (4) actions taken by the agency on the COA audit findings and recommendations, if any.

Section 33 of the 2014 GAA provides that all agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate and implement applicable provisions under R.A No. 9170 of the Magna Carta of Women, Convention on the Elimination of all Forms of Discrimination Against Women, the Beijing Platform for Action, the Millennium Development Goals (2000-2015), the Philippine Plan for Gender-Responsive Development (1995-2025), and the Philippine Development Plan (2011-2016).

The GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent (5%) of their budgets. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfillment of women’s human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.

The preparation and submission of the annual GAD Plan and annual GAD Accomplishment Report shall be subject to the guidelines issued by the agencies concerned.

 Records disclosed that the District has approved its GAD activities and programs for CY 2014 through BOD Resolution and incorporated in its Annual COB for 2014. Summary of the amount budgeted and amount spent for GAD is shown below:

|  |  |  |
| --- | --- | --- |
| ***Activities*** | ***Amount******Budgeted*** | ***Total Amount Expended*** |
| Brigada Eskwela | ~~P~~ 15,000.00 | ~~P~~ 10,378.00 |
| CSC 114th Anniversary Celebration/Family Day | 5,000.00 | 0.00 |
| Children’s Congress Culmination | 15,000.00 | 7,803.38 |
| Tree Planting | 3,000.00 | 0.00 |
| BWD Anniversary and Team Building | 37,000.00------------------- | 33,327.08------------------- |
| **TOTAL** | **~~P~~ 75,000.00****============** | **~~P~~ 51,508.46****============** |

 Verification however revealed that the above GAD Plan and Budget including the GAD Accomplishment Report were not submitted to PCW for endorsement and submission to the DBM.

The team also noted during the audit that the required 5% of the total agency budget which shall correspond to the activities supporting GAD plans, programs and activities was not fully appropriated.

As a result, the PCW could not efficiently evaluate and assess whether the gender-related issues have been properly addressed.

**We recommended and Management agreed to:**

* **Strictly adhere to the provisions of Section 33 of FY 2014 GAA and PCW-NEDA-DBM Joint Circular No. 2012-01;**
* **Instruct the GAD Focal Person, who serves as the technical working group, to provide directions and to coordinate the programs/projects/and activities on gender and development;**
* **Institute the monitoring processes, particularly in the formulation, assessment and updating the annual agency plan on the continuing basis so that GAD consciousness shall serve as foundation of its commitment to the program; and**
* **Prepare the GPB and GAD Accomplishment Report and submit to the PCW for evaluation and review and for endorsement to the DBM, copy furnished the Auditor within the reglementary period for audit purposes.**
1. **VALUE FOR MONEY AUDIT**

**Non-Revenue Water (NRW)**

**8. The District has not adequately implemented control measures to reduce the Non-Revenue Water (NRW) computed at 84,796** **cubic meters costing ~~P~~150,314.07 for the CY 2014, which is equivalent to 16.00% (average) of the total water production of 529,958 cubic meters.**

The LWUA Board of Trustees has passed Board Resolution No. 444, series of 2009, approving the reduction of the maximum acceptable NRW from the existing 25% to 20% applicable to all Water Districts to further improve efficiency.

Further, LWUA Memorandum Circular No. 014-10 dated December 2, 2010 provides that there is a need for Water Districts to reduce the NRW in order to enhance its operational efficiency and improve its financial viability, thus, all Water Districts are enjoined to periodically conduct performance audit of water meters being used by customers to ensure its accuracy. Depending on the condition of operation, the water meters should be tested for its accuracy after five (5) years of utilization. Water meters showing errors of more than the following tolerance levels should be calibrated or replaced:

From Maximum Flow to Transitional Flow: + 2%

From Minimum Flow to Transitional Flow: + 5%

It further provides that all Water Districts are encouraged to allocate funds to establish their own water meter testing facility.

Review and audit of the accounts and operations of the District disclosed the following data/information on water production, accounted water and NRW for CY 2014. Details are shown below:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *Month Produced**CY 2014* | *Total Water Produced- Estimate**(in cu.m3)* | *Method of Measurement* | *Total Production Cost* | *Production Cost* *per cu.m3**(d* ÷*b)* | *Total Water Accounted* | *Unaccounted Water (NRW)* | *Percentage of Unaccounted Water* | *Total Cost of NRW**(e x g)* |
| *[a]* | *[b]* | *[c]* | *[d]* | *[e]* | *[f]* | *[g]* | *[h]* | *[i]* |
| Jan. | 51,322 | Production Meter | ~~P~~ 104,793.94 | ~~P~~ 2.04  | 47,366 | 3,956 | 7.71% | ~~P~~ 8,070.24 |
| Feb. | 46,711 | Production Meter | ~~P~~ 93,111.95 | ~~P~~ 1.99  | 40,663 | 6,048 | 12.95% | ~~P~~ 12,035.52 |
| Mar. | 55,015 | Production Meter | ~~P~~ 88,705.40 | ~~P~~ 1.61  | 38,655 | 16,360 | 29.74% | ~~P~~ 26,339.60 |
| April | 51,297 | Production Meter | ~~P~~ 97,512.51 | ~~P~~ 1.90 | 41,699 | 9,598 | 18.71% | ~~P~~ 18,236.20 |
| May | 53,172 | Production Meter | ~~P~~ 111,248.17 | ~~P~~ 2.09 | 49,762 | 3,410 | 6.41% | ~~P~~ 7,126.90 |
| June | 52,547 | Production Meter | ~~P~~ 93,783.64 | ~~P~~ 1.78 | 44,351 | 8,196 | 15.60% | ~~P~~ 14,588.88 |
| July | 53,981 | Production Meter | ~~P~~ 93,850.34 | ~~P~~ 1.74 | 43,470 | 10,511 | 19.47% | ~~P~~ 18,289.14 |
| Aug. | 57,256 | Production Meter | ~~P~~ 90,853.59 | ~~P~~ 1.59 | 48,835 | 8,421 | 14.71% | ~~P~~ 13,389.39 |
| Sept. | 54,363 | Production Meter | ~~P~~ 105,895.21 | ~~P~~ 1.95 | 45,117 | 9,246 | 17.01% | ~~P~~ 18,029.70 |
| Oct. | 54,294 | Production Meter | ~~P~~ 85,065.22 | ~~P~~ 1.57 | 45,244 | 9,050 | 16.67% | ~~P~~ 14,208.50 |
| Nov. | 52,156 | Production Meter | ~~P~~ 103,950.88 | ~~P~~ 1.99 | 51,367 | 789 | 1.51% | ~~P~~ 1,570.11 |
| Dec. | 54,524 | Production Meter | ~~P~~ 96,961.42 | ~~P~~ 1.78 | 41,466 | 13,058 | 23.95% | ~~P~~ 23,243.24 |
| **TOTAL** | **636,638****=======** |  | **~~P~~ 1,165,732.27****==========** |  | **537,995****=======** | **98,643****======** | **15.49%****======** | **~~P~~ 175,127.42****===========** |

Based on the above-data, the District was not able to attain the efficiency level of its operation because at some point of the year, the acceptable maximum level of NRW at 20% was not regularly maintained. Thus, the effective delivery of water service to its concessionaires is greatly affected by the said factor.

While said unaccounted water falls within the tolerable allowance (on the average) prescribed by LWUA, still these are losses suffered by the District which has effects on its financial viability and operational efficiency. NRW is a lost revenue on the part of the District.

The losses on NRW could be attributed to inadequate safeguard and protection measures against unauthorized consumption/illegal connections and customer metering inaccuracies and data handling errors, and detected/ undetected leakages on the transmission and distribution lines.

Had the unaccounted water of 84,796 cubic meters were sold to the local customers, the District could have generated revenue from water sales and reduced operating losses while increasing the efficiency of its water supply distribution system.

**We recommended that the Management:**

* **Ensure that the problem on unaccounted water be properly addressed to prevent further revenue losses in its operations;**
* **Install adequate and proper safeguard and protection measures in the use of water and its facilities. Immediately attend to leakages and defective water meters; and**
* **Periodically conduct performance audit of water meters being used by customers to ensure its accuracy.**

*Management Comment:*

 In reply to our Audit Observation Memorandum, the Management commented, and we quote:

*“The unaccounted water or NRW are contributed from the following factors:*

1. *Reservoir overflow/cleaning;*
2. *Mainline and distribution line leaks;*
3. *Fire hydrants withdrawal;*
4. *Blow-off flushing;*
5. *New service connection installation; and*
6. *Water Meters inaccuracies*

*The Management is implementing all corrective measures to maintain or possibly decrease the present level of NRW.*

*It is a policy that during the conduct of monthly meter reading schedule, if the employee in-charge found out and established that certain water meters are defective, he will automatically inform the Customer Service Assistance C for him to prepare maintenance order submitted to Maintenance Man for water meter replacement possibly a day after the meter reading conducted.*

*Furthermore, the Management plans to procure own water meter testing facility by 2016.”*

**Allowances and Benefits Granted the Board of Directors**

 Review of the transactions for the CY 2014 disclosed that the District has not paid any allowances and benefits to the members of the Board of Directors.

**Payment of CY 2014 PBB**

We noted that for the CY 2014, the District has not paid the CY 2014 Performance-Based Bonus (PBB) to its officers and employees.

**Remittance of GSIS, Pag-ibig and Philhealth Premiums**

We noted that for CY 2014, the District has complied with the existing rules and regulations on the deductions and remittance of compulsory contributions to the GSIS, HDMF and PHILHEALTH.

**Compliance with Tax Laws, Rules and Regulations including Remittances to BIR**

We noted that the district has complied with the existing tax laws, rules, and regulations by withholding taxes on salaries of officers and employees and on goods delivered and services rendered by various entities. The corresponding taxes withheld were regularly remitted to the Bureau of Internal Revenue (BIR).

1. **STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES**

 Based on the Statement of Suspensions, Disallowances and Charges issued to the District after the effectivity of COA Circular No. 2009-006 dated September 15, 2009, prescribing the Rules and Regulations on Settlement of Accounts (RRSA), total disallowances found in the audit of various transactions amounted to ~~P~~40,000.00, however the same has been settled as of December 31, 2014. There were no Notice of Suspension and Notice of Charge issued as of December 31, 2014.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Particulars*** | ***Balance, 12/31/2013*** | ***CY 2014 Issuances*** | ***Settlement*** | ***Balance, 12/31/2014*** |
| Suspensions | 0.00 | 0.00 | 0.00 | 0.00 |
| Disallowances | 0.00 | ~~P~~ 40,000.00 | ~~P~~ 40,000.00 | 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 District to implement the recommendations of prior years and noted the following:

|  |  |
| --- | --- |
| ***Status of Implementation*** | ***No. of Recommendations*** |
| Fully Implemented | 8 |
| Partially Implemented | 1 |
| On-going | 0 |
| Not Implemented | 0 |

| ***OBSERVATIONS AND RECOMMENDATIONS*** | ***REF*** | ***MANAGEMENT ACTION*** | ***STATUS OF IMPLEMENTATION(Full, Partial, Ongoing, Non-implementation)*** | ***RESULTS OF AUDITOR’S VALIDATION***  |
| --- | --- | --- | --- | --- |
| 1. **The book balances of the Utility Plant in Service (UPIS) and Accumulated Depreciation accounts were overstated by ~~P~~401,906.86 and ~~P~~376,032.17, respectively, due to inclusion of water meters which were considered by the district as inventories, as the same were held for sale to new service connection applicants.**

We recommended that the management direct the Accounting Section to exclude water meters totaling ~~P~~401,906.86 from the UPIS account.Effect necessary adjustments to the UPIS account and the related Accumulated Depreciation account to correct the overstatement |  |  | ***Fully Implemented******Fully Implemented*** | The water meters acquired by the District from 1995 to 2003 totaling ~~P~~401,906.86 has already been excluded from the PPE/UPIS accountand the necessary JEV adjusting the overstatement has already been drawn by the Accountant per JEV No. 114 dated July 31, 2014. |
| 1. **Unserviceable properties totaling ~~P~~488,579.49 as of December 31, 2013 which were still included in the UPIS account were not yet disposed or condemned, resulting to overstatement of UPIS and Accumulated Depreciation accounts.**

We recommended that the management direct the Property Officer to prepare the Inventory and Inspection Report of Unserviceable Properties (IIRUP). Dispose the said properties properly in accordance with the above-cited rules and regulations and drop the same from the books of accounts.Effect necessary adjustment in the books of accounts upon disposal of unserviceable properties. |  |  | ***Fully Implemented******Fully Implemented*** | The Unserviceable Properties as reported has already been disposed and a Journal Entry Voucher (JEV) recognizing the sale of the assets with JEV No. 115 dated July 31, 2014 has already been drawn by the Accountant. |
| 1. **The District’s Other Receivable account from Ms. Betty Bago, former employee totaling ~~P~~32,171.63 as at year end, remained uncollected since CY 2000, thus, depriving the district of the beneficial use of such fund.**

We recommended that the management closely monitor the receivable and intensify its collection by sending a demand letter anew. |  | The District had already sent a demand letter to Ms. Bago, and according to the District, she cannot pay her obligation because she is allegedly financially incapacitated. | ***Partially Implemented*** | Per verification, a demand letter has already been sent to Ms. Bago. |
| 1. **The members of the BOD were granted Productivity Enhancement Incentive (PEI) at ~~P~~10,000.00 each or a total amount of ~~P~~40,000.00 without sufficient legal basis, contrary to the provisions of E.O. 65 dated January 2, 2012, and LWUA Memorandum Circular No. 015-12 dated November 22, 2012.**

We recommended that the management require the members of the BOD to refund the additional allowances received, andstop the payment of additional allowances and benefits to the members of the BOD and refrain from making such payments unless supported with sufficient legal basis. |  |  | ***Fully Implemented******Fully Implemented*** | The members of the BOD have already fully refunded the disallowed benefits per N.D. No. 14-001-101-(13)-BWD on October 2014.Notice of Settlement of Suspension/ Disallowance/ Charges (NSSDC) No. 2014-004 was issued by the audit team on December 2014.The Management has committed to stop the payment of additional benefits to the BOD in the absence of any legal basis. |
| 1. **Travelling expenses and the related registration fees of the members of the BOD in attending a convention totaling ~~P~~25,700.00 were improperly classified and booked as Director’s Fees and Remuneration in the district’s books of accounts contrary to Section 112 of PD 1445 and Section 269 of the Manual on the NGAS, Volume III.**

We recommended that the management direct the senior accounting processor to observe the correct classification of operating expenses which should be in accordance with sound and best accounting practices. |  |  | ***Fully Implemented*** | The Management has already observed the correct classification of expenses and has further recommended to use the NGAS-Corporate accounts as the District is still using the old CPS accounts. |
| 1. **The required renewal of Acknowledgement Receipt for Equipment (ARE) was not complied with as required in Section 46, Volume II of the New Government Accounting System (NGAS) Manual, thereby making it difficult to pinpoint responsibility and accountability of issued government property/equipment.**

We recommended that the management adhere strictly the renewal of ARE every three (3) years as required. Require the property custodian to properly account the issued properties/equipment and establish control measures to safeguard government resources from misuse or possible losses. |  |  | ***Fully Implemented*** | The Property Custodian has accounted the issued properties and equipment and has started to renew the ARE which are already due for renewal. |

**PART IV – ANNEXES**

|  |  |  |
| --- | --- | --- |
| **ANNEX** |  | **TITLE** |
| A | - | Summary of Payments of Salaries and Wages for the Calendar Year 2014 which were Expensed Outright |
| B | - | Summary of Payments of Salaries and Wages for the Calendar Year 2014 which were Cash Advanced but were not Classified as Payroll Fund |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Annex A** |
|  |  |  |  |  |  |  | **Finding No. 1, AAR Page 17** |
| **BACOLOD WATER DISTRICT** |
| Bacolod, Lanao del Norte |
| Summary of payments of salaries and wages directly charged to EXPENSE and not classified as Payroll Fund |
| For CY 2014 |
|  |  |  |  |  |  |  |  |
| ***DV No.*** | ***Date*** | ***Check/ No.*** | ***Date*** | ***Payee*** | ***Particulars*** | ***Amount Paid*** | ***Remarks*** |
| **JANUARY 2014:** |   |   |   |   |   |   |
| 2014-01-018 | 1/8/2014 | 1073911 | 1/8/2014 | Genalin A. Amantiad | Payment of wages during SIKATOP application of Demologan reservoir |  2,900.00  |  Recognized directly as Repairs and Maintenance-Transmission and Distribution Expense  |
| 2014-01-026 | 1/14/2014 | 1073919 | 1/14/2014 | Genalin A. Amantiad | Payment of Productivity Incentive Bonus for 2013 |  22,000.00  |  Recognized directly as Other Bonuses and Allowances  |
|   |   |   |   |   |   |   |   |
| **FEBRUARY 2014:** |   |   |   |   |   |   |
| 2014-02-083 | 2/13/2014 | 1073979 | 2/13/2014 | Genalin A. Amantiad | Payment of wages during retrieving of 2" PVC pipes |  1,800.00  |  Recognized directly as Repairs and Maintenance-Transmission and Distribution Expense  |
| 2014-02-098 | 2/21/2014 | 1073995 | 2/21/2014 | Genalin A. Amantiad | Payment of wages during excavation of extension pipelines at Brgy. Liangan |  2,200.00  |  Recognized directly as Repairs and Maintenance-Transmission and Distribution Expense  |
| 2014-02-111 | 2/28/2014 | 1074008 | 2/28/2014 | Genalin A. Amantiad | Payment of wages during excavation of extension pipelines at Brgy. Liangan East |  7,200.00  |  Recognized directly as Repairs and Maintenance-Transmission and Distribution Expense  |
| 2014-02-113 | 2/28/2014 | 1074011 | 2/28/2014 | Genalin A. Amantiad | Payment of Clothing Allowance for CY2014 |  55,000.00  |  Recognized directly as Clothing and Uniform Allowances  |
|   |   |   |   |   |   |   |   |
| **MARCH 2014:** |   |   |   |   |   |   |
| 2014-03-131 | 3/7/2014 | 1074029 | 3/7/2014 | Genalin A. Amantiad | Payment of wages during excavation of extension pipelines at Brgy. Liangan East |  6,000.00  |  Recognized directly as Repairs and Maintenance-Transmission and Distribution Expense  |
| 2014-03-139 | 3/14/2014 | 1074039 | 3/14/2014 | Genalin A. Amantiad | Payment of wages during excavation of extension pipelines at Brgy. Liangan East |  6,900.00  |  Recognized directly as Repairs and Maintenance-Transmission and Distribution Expense  |
| 2014-03-152 | 3/21/2014 | 1074053 | 3/21/2014 | Genalin A. Amantiad | Payment of wages during excavation of extension pipelines at Brgy. Liangan East |  6,400.00  |  Recognized directly as Repairs and Maintenance-Transmission and Distribution Expense  |
| 2014-03-163 | 3/28/2014 | 1074067 | 3/28/2014 | Genalin A. Amantiad | Payment of wages during excavation of extension pipelines at Brgy. Liangan East |  5,900.00  |  Recognized directly as Repairs and Maintenance-Transmission and Distribution Expense  |
|   |   |   |   |   |   |   |   |
| **APRIL 2014:** |  |   |   |   |   |   |   |
| 2014-04-183 | 4/4/2014 | 1074088 | 4/4/2014 | Genalin A. Amantiad | Payment of wages during excavation of extension pipelines at Brgy. Liangan East |  6,300.00  |  Recognized directly as Repairs and Maintenance-Transmission and Distribution Expense  |
| 2014-04-188 | 4/11/2014 | 1074093 | 4/11/2014 | Genalin A. Amantiad | Payment of wages during excavation of extension pipelines at Brgy. Liangan East |  5,800.00  |  Recognized directly as Repairs and Maintenance-Transmission and Distribution Expense  |
| 2014-04-195 | 4/16/2014 | 1074100 | 4/16/2014 | Genalin A. Amantiad | Payment of wages during excavation of extension pipelines at Brgy. Liangan East |  1,800.00  |  Recognized directly as Repairs and Maintenance-Transmission and Distribution Expense  |
|   |   |   |   |   |   |   |   |
| **MAY 2014:** |  |   |   |   |   |   |   |
| 2014-05-234 | 5/9/2014 | 1074142 | 5/9/2014 | Genalin A. Amantiad | Payment of 50% Cash Gift for CY2014 |  27,500.00  |  Recognized directly as Year-End Bonus  |
| 2014-05-235 | 5/9/2014 | 1074143 | 5/9/2014 | Genalin A. Amantiad | Payment of 50% 13th Month Pay for CY2014 |  95,362.00  |  Recognized directly as Year-End Bonus  |
|   |   |   |   |   |   |   |   |
| **JUNE 2014:** |  |   |   |   |   |   |   |
| *-NONE-* |   |   |   |   |   |   |   |
|   |   |   |   |   |   |   |   |
| **JULY 2014:** |  |   |   |   |   |   |   |
| *-NONE-* |   |   |   |   |   |   |   |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|   |   |   |   |   |   |   |   |
| **AUGUST 2014:** |   |   |   |   |   |   |
| *-NONE-* |   |   |   |   |   |   |   |
|   |   |   |   |   |   |   |   |
| **SEPTEMBER 2014:** |   |   |   |   |   |   |
| *-NONE-* |   |   |   |   |   |   |   |
|   |   |   |   |   |   |   |   |
| **OCTOBER 2014:** |   |   |   |   |   |   |
| *-NONE-* |   |   |   |   |   |   |   |
|   |   |   |   |   |   |   |   |
| **NOVEMBER 2014:**  |   |   |   |   |   |   |
| *-NONE-* |   |   |   |   |   |   |   |
|   |   |   |   |   |   |   |   |
| **DECEMBER 2014:**  |   |   |   |   |   |   |
| *-NONE-* |   |   |   |   |   |   |   |
|   |   |   |   |   |   |   |   |
| **GRAND TOTAL** |  **253,062.00**  |  |
|  |  |  |  |  |  |  |  |

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*Prepared by:*

 **REMY U. PAHUYO**

State Auditor II

 OIC-Audit Team leader

|  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  | **Annex B** |
|  |  |  |  |  |  |  | **Finding No. 1, AAR Page 17** |
| **BACOLOD WATER DISTRICT** |
| Bacolod, Lanao del Norte |
| Summary of Payments of Salaries, Wages and Other Benefits Not Classified as Payroll Fund |
| For CY 2014 |
|  |  |  |  |  |  |  |  |
| ***DV No.*** | ***Date*** | ***Check/ No.*** | ***Date*** | ***Payee*** | ***Particulars*** | ***Amount Paid*** | ***Remarks*** |
| **JANUARY 2014:** |   |   |   |   |   |   |
| 2014-01-024 | 1/10/2014 | 1073917 | 1/10/2014 | Genalin A. Amantiad | Payment of BOD Honorarium January 10, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
|   |   |   |   |   |   |   |   |
| **FEBRUARY 2014:** |   |   |   |   |   |   |
| 2014-02-099 | 2/21/2014 | 1073996 | 2/21/2014 | Genalin A. Amantiad | Payment of BOD Honorarium February 21, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
|   |   |   |   |   |   |   |   |
| **MARCH 2014:** |   |   |   |   |   |   |
| 2014-03-138 | 3/14/2014 | 1074038 | 3/14/2014 | Genalin A. Amantiad | Payment of BOD Honorarium March 14, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
|   |   |   |   |   |   |   |   |
| **APRIL 2014:** |  |   |   |   |   |   |   |
| 2014-04-192 | 4/14/2014 | 1074097 | 4/14/2014 | Genalin A. Amantiad | Payment of BOD Honorarium April 14, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
| 2014-04-210 | 4/25/2014 | 1074116 | 4/25/2014 | Genalin A. Amantiad | Payment of BOD Honorarium April 25, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
|   |   |   |   |   |   |   |   |
| **MAY 2014:** |  |   |   |   |   |   |   |
| 2014-05-237 | 5/9/2014 | 1074145 | 5/9/2014 | Genalin A. Amantiad | Payment of BOD Honorarium May 9, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
| 2014-05-256 | 5/23/2014 | 1074164 | 5/23/2014 | Genalin A. Amantiad | Payment of BOD Honorarium May 23, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
|   |   |   |   |   |   |   |   |
| **JUNE 2014:** |  |   |   |   |   |   |   |
| 2014-06-287 | 6/13/2014 | 1074196 | 6/13/2014 | Genalin A. Amantiad | Payment of BOD Honorarium June 23, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
| 2014-06-309 | 6/27/2014 | 1074220 | 6/27/2014 | Genalin A. Amantiad | Payment of BOD Honorarium June 27, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
|   |   |   |   |   |   |   |   |
| **JULY 2014:** |  |   |   |   |   |   |   |
| 2014-07-335 | 7/11/2014 | 1074248 | 7/11/2014 | Genalin A. Amantiad | Payment of BOD Honorarium July 11, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
| 2014-07-357 | 7/25/2014 | 1074270 | 7/25/2014 | Genalin A. Amantiad | Payment of BOD Honorarium July 25, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
|   |   |   |   |   |   |   |   |
| **AUGUST 2014:** |   |   |   |   |   |   |
| 2014-08-381 | 8/7/2014 | 1074295 | 8/7/2014 | Genalin A. Amantiad | Payment of BOD Honorarium August 7, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
| 2014-08-403 | 8/22/2014 | 1117317 | 8/22/2014 | Genalin A. Amantiad | Payment of BOD Honorarium August 22, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
|   |   |   |   |   |   |   |   |
| **SEPTEMBER 2014:** |   |   |   |   |   |   |
| 2014-09-439 | 9/5/2014 | 1117357 | 9/5/2014 | Genalin A. Amantiad | Payment of Labor for the excavation and backfilling |  1,600.00  |  Recognized as Advances to Officers and Employees  |
| 2014-09-444 | 9/11/2014 | 1117362 | 9/11/2014 | Genalin A. Amantiad | Payment of BOD Honorarium Sept. 11, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
| 2014-09-446 | 9/12/2014 | 1117364 | 9/12/2014 | Genalin A. Amantiad | Payment of Labor wages during gate valve replacement |  2,000.00  |  Recognized as Advances to Officers and Employees  |
| 2014-09-469 | 9/26/2014 | 1117387 | 9/26/2014 | Genalin A. Amantiad | Payment of Labor wages during gate valve replacement |  3,000.00  |  Recognized as Advances to Officers and Employees  |
| 2014-09-470 | 9/26/2014 | 1117388 | 9/26/2014 | Genalin A. Amantiad | Payment of BOD Honorarium Sept. 26, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
|   |   |   |   |   |   |   |   |
| **OCTOBER 2014:** |   |   |   |   |   |   |
| 2014-10-484 | 10/7/2014 | 1117404 | 10/7/2014 | Genalin A. Amantiad | Payment of Labor wages during construction of concrete post at Demologan |  1,800.00  |  Recognized as Advances to Officers and Employees  |
| 2014-10-494 | 10/10/2014 | 1117415 | 10/10/2014 | Genalin A. Amantiad | Payment of BOD Honorarium October 10, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
| 2014-10-495 | 10/10/2014 | 1117416 | 10/10/2014 | Genalin A. Amantiad | Payment of Labor wages during construction of concrete post at Demologan |  1,200.00  |  Recognized as Advances to Officers and Employees  |
| 2014-10-502 | 10/14/2014 | 1117423 | 10/14/2014 | Genalin A. Amantiad | Payment of personnel salaries and wages for Oct. 1-15, 2014 |  69,259.15  |  Recognized as Advances to Officers and Employees  |

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| --- | --- | --- | --- | --- | --- | --- | --- |
| 2014-10-506 | 10/17/2014 | 1117427 | 10/17/2014 | Genalin A. Amantiad | Payment of Labor wages during excavation of new service connection |  1,200.00  |  Recognized as Advances to Officers and Employees  |
| 2014-10-518 | 10/24/2014 | 1117440 | 10/24/2014 | Genalin A. Amantiad | Payment of BOD Honorarium October 23, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
| 2014-10-519 | 10/23/2014 | 1117441 | 10/23/2014 | Genalin A. Amantiad | Payment of Labor wages during excavation of leak at Brgy. Rupagan |  1,200.00  |  Recognized as Advances to Officers and Employees  |
| 2014-10-526 | 10/27/2014 | 1117448 | 10/27/2014 | Genalin A. Amantiad | Payment of personnel salaries and wages for Oct. 16-31, 2014 |  68,630.65  |  Recognized as Advances to Officers and Employees  |
|   |   |   |   |   |   |   |   |
| **NOVEMBER 2014:** |   |   |   |   |   |   |
| 2014-11-552 | 11/12/2014 | 1117476 | 11/12/2014 | Genalin A. Amantiad | Payment of personnel salaries and wages for Nov. 1-15, 2014 |  67,983.04  |  Recognized as Advances to Officers and Employees  |
| 2014-11-554 | 11/17/2014 | 1117479 | 11/17/2014 | Genalin A. Amantiad | Payment of BOD Honorarium November 14, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
| 2014-11-580 | 11/25/2014 | 1117506 | 11/25/2014 | Genalin A. Amantiad | Payment of personnel salaries and wages for Nov. 16-30, 2014 |  69,623.17  |  Recognized as Advances to Officers and Employees  |
| 2014-11-583 | 11/28/2014 | 1117509 | 11/28/2014 | Genalin A. Amantiad | Payment of BOD Honorarium November 28, 2014 BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
|   |   |   |   |   |   |   |   |
| **DECEMBER 2014:**  |   |   |   |   |   |   |
| 2014-12-587 | 12/1/2014 | 1117513 | 12/1/2014 | Genalin A. Amantiad | Cash Advance - Labor Wages |  7,250.00  |  Recognized as Advances to Officers and Employees  |
| 2014-12-606 | 12/5/2014 | 1117532 | 12/5/2014 | Genalin A. Amantiad | Payment of BOD Honorarium for BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
| 2014-12-607 | 12/5/2014 | 1117533 | 12/5/2014 | Genalin A. Amantiad | Cash Advance - Labor Wages |  7,500.00  |  Recognized as Advances to Officers and Employees  |
| 2014-12-611 | 12/9/2014 | 1117538 | 12/9/2014 | Genalin A. Amantiad | Cash Advance - 13th Month 50% |  96,764.00  |  Recognized as Advances to Officers and Employees  |
| 2014-12-612 | 12/9/2014 | 1117539 | 12/9/2014 | Genalin A. Amantiad | Cash Advance - Cash Gift 50% |  27,500.00  |  Recognized as Advances to Officers and Employees  |
| 2014-12-619 | 12/15/2014 | 1117546 | 12/15/2014 | Genalin A. Amantiad | Payment of BOD Honorarium for BOD meeting |  5,760.00  |  Recognized as Advances to Officers and Employees  |
| 2014-12-620 | 12/15/2014 | 1117547 | 12/15/2014 | Genalin A. Amantiad | Cash Advance - Labor Wages |  7,500.00  |  Recognized as Advances to Officers and Employees  |
| 2014-12-621 | 12/15/2014 | 1117548 | 12/15/2014 | Genalin A. Amantiad | Cash Advance - Salaries for Dec. 1-15, 2014 |  66,507.29  |  Recognized as Advances to Officers and Employees  |
| 2014-12-638 | 12/23/2014 | 1117568 | 12/23/2014 | Genalin A. Amantiad | Cash Advance - Labor Wages |  7,500.00  |  Recognized as Advances to Officers and Employees  |
| 2014-12-639 | 12/23/2014 | 1117569 | 12/23/2014 | Genalin A. Amantiad | Cash Advance - PEI |  55,000.00  |  Recognized as Advances to Officers and Employees  |
| 2014-12-640 | 12/23/2014 | 1117570 | 12/23/2014 | Genalin A. Amantiad | Cash Advance - Salaries for Dec. 16-31, 2014 |  70,031.81  |  Recognized as Advances to Officers and Employees  |
|   |   |   |   |   |   |   |   |
| **GRAND TOTAL** |  **754,009.11**  |  |
|  |  |  |  |  |  |  |  |

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*Prepared by:*

 **REMY U. PAHUYO**

State Auditor II

 OIC-Audit Team leader