

**PART III –
STATUS OF IMPLEMENTATION OF
PRIOR YEARS' AUDIT RECOMMENDATIONS**

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We made a follow-up on the action taken by the District to implement the recommendations of CY 2021, 2020, and 2019 AARs and noted the following:

Status of Implementation	No. of Recommendations	Percentage
Fully Implemented	24	64.86%
Partially Implemented	11	29.73%
Not Implemented	2	5.41%

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
AAR 2021 Finding No.1	The Cash in Bank in the amount of P7,647,380.08 could not be ascertained as to its accuracy and correctness due to the non-submission of monthly Bank Reconciliation Statements (BRS), including its supporting documents, contrary to 74 of PD No. 1445 and Sections 5 and 7, Chapter 21 of Government Accounting Manual (GAM), Volume I, for National Government Agencies.	We recommend that the management require its accounting personnel to prepare and submit the BRS not submitted to the Audit Team. Moreover, to submit future BRS within twenty days after the receipt of the monthly Bank Statement (BS) to the COA Auditor for Auditor's verification.	Fully Implemented ₁
AAR 2021 Finding No.2	The accuracy and reliability of the Property, Plant and Equipment (PPE) account amounting to P64,311,203.40 as of December 31, 2021 cannot be ascertained due to the write-offs made in the amount of P4,550,413.80 to cover differences between the accounting and property records in violation of the Section 7 of COA Circular No. 2020-006 on the guidelines and procedures for the One-Time Cleansing of PPE account balances of Government Agencies.	We recommend the Management to: <ul style="list-style-type: none"> • instruct the Accounting Processor to reverse the accounting entries made in writing-off various PPE accounts; • direct the Inventory Committee, Supply Officer and Accounting personnel to dutifully follow the guidelines and procedures on inventory taking, recognition of those found at the station and disposition for non-existing/missing PPE items for the one-time cleansing of PPE accounts of government agencies as provided for in COA Circular No. 2020-006. 	Fully Implemented ₂ Partially Implemented ₁ The Management has not fully implemented the One-Time Cleansing procedures, thus, reiterated in this report.

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
AAR 2021 Finding No.3	The District's inadequate monitoring and evaluation of its Other Accounts Receivable in the amount of P1,807,000.00, as well as its lax collection practices, have led to build-up of past due accounts aging over two (2) years contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005, thus, deprived the District of additional funds to finance its operations and may have overstated the District's Other Accounts Receivable account with the amount that could no longer be collected.	We recommend that Management: • Exert efforts to collect the receivables thru demand letters;	Fully Implemented ₃
		• Consider incorporating payment plans/schedules in their courses of action to encourage gradual settlement of accounts;	Fully Implemented ₄
		• Require the Accountant to classify these past-due and dormant accounts receivable, as non-current in the financial statements pursuant to PAS 1;	Not Implemented ₁ The Accountant was not able to reclassify the account receivables.
		• File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016; and	Not Implemented ₂ The Management is still in the process of gathering the required supporting documents.
• Conduct regular monitoring and review of accounts receivable as well as formulate and implement an effective collection strategy.	Partially Implemented ₂ The management has yet to implement effective collection strategy.		
AAR 2021 Finding No.4	Non submission of some of the required year-end financial statements and other related financial reports/schedules is contrary to COA Circular No. 2015-004 dated July 16, 2015, thus, the accuracy and validity of the account balances could not be verified.	We recommend that the management to require its accounting personnel to prepare and submit the lacking required reports to the COA Audit team and submit future Annual Financial Statements in accordance with COA Circular No. 2015-004.	Fully Implemented ₅
AAR 2021 Finding No.5	Annual GAD Plan and Budget (GPB) and Accomplishment Report were not submitted contrary to Joint Circular No. 2012-001 of Department of Budget and Management (DBM), National Economic and Development Authority	We recommend the Management to submit the GAD Plan and Budget and the Accomplishment Report within the deadline prescribed by PCW-DILG-DBM-NEDA Joint Memorandum Circular No.	Fully Implemented ₆

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	(NEDA) and Philippine Commission on Women (PCW) thereby bringing difficulty to determine whether the gender issues identified were approved by DILG/ PCW and whether the gender issues had been fully addressed.	2013-01 and COA Circular 2014-001.	
AAR 2021 Finding No.6	The agency failed to submit the Disaster Risk Reduction and Management Plan and Budget, as well as implement programs and activities therein, contrary to Section 37 of General Appropriations Act of 2021 (RA 11518) and Section 5, Rule 19 of Philippine Disaster Risk Reduction and Management Act of 2010 (RA10121).	<p>We recommend that the Management require the DRRM Officer to:</p> <ul style="list-style-type: none"> • formulate and implement programs and activities intended to address Disaster Risk Reduction and Management issues particularly those that are doable even with the current pandemic; • and submit Disaster Risk Reduction and Management Plan and Budget within the prescribed period. 	<p>Partially Implemented₃</p> <p>The Management has formulated and implemented programs but was not able to address issues within the agency and community.</p>
AAR 2021 Finding No.7	The District failed to prepare its Septage Management Plan (SMP) as required by RA 9275 and PD 198 depriving its concessionaires of a sound wastewater treatment and disposal system.	We recommend that Management prepare its Septage Management Plan (SMP) providing for a strategic objective of the District, the courses of action to be undertaken with its desired/expected outcomes and outputs, target timelines, accountabilities, means of monitoring and evaluation, and key performance indicators, among other items, for an effective and efficient implementation and monitoring.	<p>Partially Implemented₄</p> <p>Management has included this program in their 10-year Business Plan but has not initiated any procedure in preparing a plan.</p>
AAR 2020 Finding No.1	Physical count of Property, Plant and Equipment was not conducted as provided for in Section 5 of COA Circular No. 2020-006 thus placing the amount of the fixed assets account balances reflected in	We recommended that the District comply strictly with Section 5 of COA Circular No. 2020-006 in the conduct of inventory taking for its PPE accounts.	<p>Partially Implemented₅</p> <p>The Management has not fully implemented the One-Time Cleansing</p>

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	the financial statements in the amount of ₱68,828,956.05 is of doubtful validity.		procedures, thus, reiterated in this report.
AAR 2020 Finding No.2	Collections amounting to ₱ 15,593,872.60 were not deposited daily and intact in violation of Section 69 of Presidential Decree No. 1445 and Paragraph 32, Remittances/Deposits Section, Chapter II -Laws and Rules Relevant to Cash Examination of the Revised Cash Examination Manual (COA Memorandum 2013-004 dated July 9, 2013).	We recommended that Collections should be deposited intact the next available banking day. The cashier should be vigilant in her duties in reviewing the remittances given to her by the tellers and should count the money remitted in the presence of the teller and compare it with submitted collection summary to check that it is intact. Any discrepancy should be noted such as missing or cancelled ORs, shortage, and overage in the remittance. Each teller should be provided with a cash box where they can put their collections and should be surrendered to the cashier together with their collection summary so that mixing up of collections can be avoided.	Fully Implemented ₈
AAR 2020 Finding No.3	Non-submission of the Result of Physical Count of Inventory duly reconciled with the Supplies Ledger Cards and Stock Cards kept by the Accounting Unit and the Property/Supply Unit respectively as provided by Section C, D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 4,376,328.29.	We recommended the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II. The reconciliation report should reflect the quantity per books and per supply ledger cards, indicating any variance and the Journal Entry Voucher Number for the adjustment of the variance. The Auditor or his/her representative should	Partially Implemented ₆ The Management has not fully implemented the inventory procedures, thus, reiterated in this report.

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
		be present when physical count of inventory is to be conducted and therefore notice should be given beforehand when there is such an activity.	
AAR 2020 Finding No.4	Compliance to Section 3.2 of Civil Service Commission MC No. 10, S. of 2020 dated May 7, 2020 as amended by CSC MC No. 18, S. of 2020 dated October 15, 2020 (Revised Interim Guidelines for Alternative Work Arrangements and Support Mechanisms for Workers in the Government During the Period of State of National Emergency Due to COVID-19 Pandemic) in the payment of Hazard Pay for those who was on skeleton (skeletal) force during the Enhanced Community Quarantine (ECQ) of the Province of Lanao del Norte amounting to ₱304,500.00 cannot be ascertained due to lack of supporting documents.	<p>We recommended that Management comply strictly with CSC MC No. 10 as amended by CSC MC No. 18, both series of 2020 dated May 7, 2020 and October 15, 2020 respectively, in the payment of COVID-19 Hazard Pay. Submit to this office the following documents to justify the payment of COVID-19 Hazard Pay:</p> <ul style="list-style-type: none"> • Board Resolution stating that the District was adopting an alternative work arrangement, specifically skeleton (skeletal) staffing and stating therein the maximum number or percentage of employees to report per day; • Board Resolution granting COVID-19 Hazard Pay to District employees assigned to be part of the skeleton (skeletal) force including the specific rate per day per person; • Office Order from the General Manager including a list of employees scheduled to be part of the skeleton (skeletal) force and the dates/time when such personnel should report to the office; • Daily Time Records (DTR) of each personnel as proof of compliance to the office order. 	<p>Partially Implemented⁷</p> <p>The Management has submitted the required documents except for the DTRs which they will submit upon gathering all DTRs required..</p>

AAR 2020 Finding No.5	Conformity of the Kapatagan Water District to Section 22, 23 and 25 of the Omnibus Rules on Leave, Rule XVI on the Omnibus Rules Implementing Book V of Executive Order 292 in the amount of ₱1,033,032.16 cannot be ascertained due to lack of proper supporting documents.	We recommend to strictly adhere to Section 22, 23 and 25 of the Omnibus Rules on Leave, Rule XVI on the Omnibus Rules Implementing Book V of Executive Order 292. Submit copies of leave application with leave credit balance certified the Human Resource Office including the leave card of the concerned employee reflecting therein the balances of earned leave credits before and after monetization. For monetization of 50 percent or more of earned leave credits submit the clinical abstract/medical procedures to be undertaken in case of health, medical and hospital needs. In case of financial assistance brought about by calamities, typhoons fire etc., submit Barangay Certification.	Fully Implemented ⁹
AAR 2020 Finding No.6	Grant of Anniversary Bonus in the amount of ₱138,000.00 did not conform to the guidelines stated in Sections 2.3 through 2.5 of Administrative Order (AO) No. 263 dated March 26, 1996 and Section 3.2 of the Department of Budget and Management National Budget Circular (NBC) No. 452 dated May 20, 1996.	We recommended the Management should strictly adhere to the provisions of Administrative Order 263 dated March 26, 1996 and the Department of Budget and Management National Budget Circular No.452 dated May 20, 1996 on the grant of Anniversary Bonus. Justify the grant of Anniversary Bonus which is not in accordance with Administrative Order 263 dated March 26, 1996 and the Department of Budget and Management National Budget Circular No.452 dated May 20, 1996.	Fully implemented ¹⁰
AAR 2020 Finding No.7	District projects were advertised in a newspaper of general nationwide circulation amounting to ₱19,376.00 in contravention to the sunset provision of Section 21.2.1(c) of the Revised Implementing Rules and Regulation (IRR) of	We recommend to strictly adhere to Section 21.2.1 (c) of the revised Implementing Rules and Regulations of Republic Act 9184 dated August 9, 2016 and Section 3.3 of GPPB Circular 08-2018 dated October 18,	Fully Implemented ¹¹ A Notice of Disallowance has been issued and the management is yet to refund.

	Republic Act 9184 dated August 9, 2016 and Section 3.3 of Government Procurement Policy Board (GPPB) Circular 08-2018 dated October 18, 2018.	2018. specifically on the sunset provision in the advertisement of procurement of infrastructure projects, goods or consulting services in newspapers of general circulation. Checks should be drawn in the name of the institution where services or goods are procured and not in the name of their agent in adherence to sound internal control policy.	
AAR 2020 Finding No.8	Obligation Request and Status were not prepared for almost all obligations and attached to the District's disbursement vouchers amounting to ₱40,898,670.02 in violation of Section 11 and 12, Chapter 3, Volume I of the Government Accounting Manual	We recommend preparation of an Obligation Request and Status in strict adherence to Sections 11 and 12, Chapter 3, Volume 1 of the General Accounting Manual in every obligation incurred. Have the Sections A, B and C signed or filled up by the appointed or designated personnel and to attach a copy of the said document to the disbursement voucher. Obligation Request and Status forms should be used as the Budget Utilization Request form.	Fully Implemented ¹²
AAR 2020 Finding No.9	The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties with a book value or replacement value of ₱54,461,698.56 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure.	We recommended that adherence to Section 5 of RA 656 to protect the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30th day of April.	Fully Implemented ¹³
AAR 2020 Finding No.10	Reports to be prepared by the Treasury Section as provided by Appendix 29 and 47 of Volume II of the General Accounting Manual were prepared by the bookkeeper thus violating the internal	We recommended that preparation of reports pertaining to cash collections, deposits, and disbursements, such as the Cash Receipts Record and Report of Checks Issued be maintained by the	Fully Implemented ¹⁴

	control of separation between treasury and accounting functions.	treasury unit or cashiering section of the District.	
AAR 2020 Finding No.11	Delayed/non-submission of copies of Contracts/Purchase Orders in violation Section 3 of COA Circular No. 2009-001 precluded the auditorial and technical review of the procurement transactions and prompt detection/correction of possible deficiencies.	We recommended that management furnish the Auditor copy of the purchase orders and contract documents not later than five (5) working days after the perfection of contracts/purchase orders together with duly accomplished supporting documents for technical review and evaluation in compliance with COA Circular No. 2009-001.	Fully Implemented ¹⁵
AAR 2020 Finding No.12	Fidelity Bond was not secured for all the District's accountable officers as required by Section 101 of Presidential Decree No. 1445, Section 4.1 of Treasury Circular 02-2009, dated August 6, 2009 and Section 7.1 of COA Circular 97-002 dated February 10, 1997 as amended by COA Circular 2006-005 dated July 13, 2006.	We recommended strict adherence to Section 101 of Presidential Decree No. 1445 and Section 7.1 of COA Circular 97-002 dated February 10, 1997 as amended by COA Circular 2006-005 dated July 13, 2006 for the posting of fidelity bond for accountable officers handling government funds and property. Renewal of the fidelity bonds should be done promptly on the month of their expiration. Furnish a copy of the Fidelity Bonds to the Auditor's Office for information and filing.	Fully Implemented ¹⁶
AAR 2020 Finding No.13	Notices of Awards, Purchase Orders, Notices to Proceed including Inspection and Receiving Reports for purchases of goods, materials, and supplies amounting to ₱ 5,648,598.40 have blank date of receipt by the suppliers or agency personnel thus circumventing imposition of liquidated damages in contravention to Section 3.1 and 3.2 of Annex D of the Implementing Rules and Regulation of Contract Implementation Guidelines for	We recommended that the date of receipt of Purchase Orders be indicated for the purpose of imposing liquidated damages in cases where delay was committed inclusive of duly granted extensions. Notices of Award and Notices to Proceed should be issued for procurement where applicable. The mode of procurement should indicate specifically if it is by competitive bidding and any of the alternative modes of procurement as provided in	Fully Implemented ¹⁷

	the Procurement of Goods, Supplies and Materials of the Government Procurement Reform Act (Republic Act 9184).	RA 9184. Indicate a reasonable period of delivery for suppliers located outside the District's locality.	
AAR 2019 Finding No.1	Physical count of Property, Plant and Equipment was not conducted as mandated by Section 38, Volume I of the Government Accounting Manual (GAM) thus the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱55,575,988.81 is of doubtful validity.	We recommended that physical count of property, plant and equipment should be conducted and reconciliation of Report on the Physical Count of Property Plant and Equipment to the Accounting unit's Property Plant and Equipment Ledger Card and the Property and Supply unit's Property Card be undertaken. The results of such reconciliation should be submitted to the Office of the Auditor as provided by Section 38 and 42, Volume 1 of the Government Accounting Manual. Property Accountability Receipt for these assets should be renewed every three (3) years.	Partially Implemented ₈ The Management has not fully implemented the inventory procedures, thus, reiterated in this report.
AAR 2019 Finding No.2	Non-submission of the Result of Physical Count of Inventory duly reconciled with the Supplies Ledger Cards and Stock Cards kept by the Accounting Unit and the Property/Supply Unit respectively as provided by Section C, D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 4,376,328.29.	We recommended the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II. The Auditor or his/her representative should be present when physical count of inventory is to be conducted and therefore notice should be given beforehand when there is such an activity.	Partially Implemented ₉ The Management has not fully implemented the inventory procedures, thus, reiterated in this report.
AAR 2019 Finding No.3	Water sales for the month of December 2019 amounting to ₱74,181.97 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1	We recommended that Management start recognizing their accrued income from water sales and to adjust the necessary accounts to reflect a more accurate and reliable	Fully Implemented ₁₈

	and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.	balance in the financial statements.	
AAR 2019 Finding No.4	The District did not provide Allowance for Doubtful Accounts for Accounts Receivable from water sales totaling ₱3,663,351.17 as of December 31, 2019, respectively, contrary Sec. 9 of the Government Accounting Manual (GAM), Vol. I thus, casting doubts on the fairness of the presentation of the financial statements.	We recommended that Management employ the accounting policy based on Sec. 9 of the Government Accounting Manual (GAM), Vol. on setting up Allowance for Doubtful Accounts and request for write-off of dormant accounts with COA, if necessary.	Partially Implemented ¹⁰ The management was able to set-up Allowance for Doubtful Accounts but with a minimal amount, thus not reflective of realistic AFDA. Also, no request for write-off was made.
AAR 2019 Finding No.5	The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties with a book value or replacement value of ₱54,461,698.56 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure.	We recommended that adherence to Section 5 of RA 656 to protect the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30th day of April.	Fully Implemented ¹⁹
AAR 2019 Finding No.6	Regular expenses amounting to ₱381,416.92 were paid out from the Petty Cash Fund which is not in accordance with Section 4.3.2 of COA Circular 97-002 dated February 10, 1997.	We recommended that Management should stop the practice of charging regular expenses to petty cash fund. Purchase office supplies, supplies and materials in bulk, enough for two to three months consumption which is more advantageous to the government. Establish credit line from nearby gasoline stations taking into consideration the provisions of RA 9184 and other conditions advantageous to the District and the government. Take into consideration emergency repairs and rentals of equipment in planning and	Fully Implemented ²⁰

		drawing up the budget for the District.	
AAR 2019 Finding No.7	The estimated 611,670.68 cu.m. of unaccounted water incurred by the District costing P1,220,950.36 for CY 2019 is 8.78% more than the maximum acceptable level of Non-Revenue Water (NRW) of 20% prescribed by LWUA thru Resolution No. 444, series of 2009.	We recommended to the District to improve its efficiency level by significantly reducing water loss to at least the allowable level of 20% through formulation of a more effective and intensive NRW Reduction Plan and Budget.	Partially Implemented ¹¹ An intensive NRW Plan and Budget was made but not yet effective. This finding is reiterated in this report.
AAR 2019 Finding No.8	Reimbursement Expense Receipts were used to liquidate cash advances from Petty Cash Fund instead of Acknowledgement Receipts which is not in accordance with COA Circular 2004-006 dated September 9, 2004 regarding acceptability of evidence of receipt of payment for disbursements.	We recommended that Management should stop the practice of using RER to liquidate or "pre-liquidate" cash advances given to district personnel as it is not in accordance with COA Circular 2004-006 dated September 9, 2004. Submit proper evidence of receipt of payment such as Acknowledgement Receipts (ARs) to support liquidation of cash advances from the PCF.	Fully Implemented ²¹
AAR 2019 Finding No.9	Fidelity Bond was not posted or insufficient for accountable officers who handles government cash or property as required by Section 101 of Presidential Decree No. 1445 and Section 7.1 of COA Circular 97-002 dated February 10, 1997 as amended by COA Circular 2006-005 dated July 13, 2006.	We recommended strict adherence to Section 101 of Presidential Decree No. 1445 and Section 7.1 of COA Circular 97-002 dated February 10, 1997 as amended by COA Circular 2006-005 dated July 13, 2006 for the posting of fidelity bond for accountable officers handling government funds and property. The amount of bond premium should correspond to their maximum accountability as provided for in by Treasury Circular No. 02-2009 dated August 6, 2009. The designated accountant should be prohibited in doing collecting functions in adherence to sound internal control of segregation of duties custody of assets, authorization, approval and recording or reporting of related transactions affecting	Fully Implemented ²²

		those assets. Submit a copy of the Fidelity Bonds to the Auditor's Office for information and filing.	
AAR 2019 Finding No.10	Collections were not deposited daily and intact in violation of Section 69 of Presidential Decree No. 1445 and Paragraph 32, Remittances/Deposits Section, Chapter II -Laws and Rules Relevant to Cash Examination of the Revised Cash Examination Manual (COA Memorandum 2013-004 dated July 9, 2013).	Collections should be deposited intact the next available banking day. The cashier should be vigilant in her duties in reviewing the remittances given to her by the tellers and should count the money remitted in the presence of the teller and compare it with submitted collection summary to check that it is intact. Any discrepancy should be noted such as missing or cancelled ORs, shortage, and overage in the remittance. Tellers and alternate tellers should be provided with his own account in the collection system. Access to other tellers' account in the collection system should not be allowed. Each teller should be provided with a cash box where they can put their collections and should be surrendered to the cashier together with their collection summary so that mixing up of collections can be avoided. The teller's password to the collection system and combination to the cash box should be written and put in a sealed envelope with access limited to the teller concerned, the cashier and the head of the agency.	Fully Implemented ²³
AAR 2019 Finding No.11	KAPWD still accepts Checks from concessionaires which have a history of dishonored checks (NSF Checks) due to insufficiency of funds in violation of COA Memorandum 2013-004 dated July 9, 2013 Chapter II, Section 28, regarding dishonored checks.	We recommended that a policy be promulgated which adheres strictly to the provisions of COA Memorandum 2013-004 dated July 9, 2013 in refusing to accept check payment from concessionaires which has a history of dishonored checks and accepting only cash or	Fully Implemented ²⁴

		certified check. If the payor is a government entity, check payment should be accepted only when it is accompanied by a bank advice duly stamped received by the drawee bank.	
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