



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. X

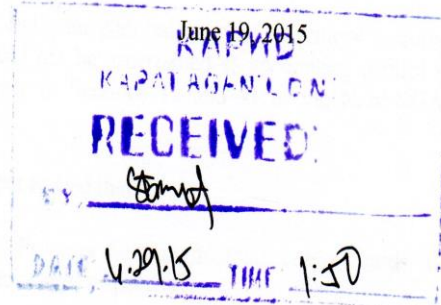
J.V. Serina Street, Carmen, Cagayan de Oro City

June 19, 2015

BUENALITA B. RAÑISES

General Manager
Kapatagan Water District
Kapatagan, Lanaodel Norte

Dear Manager Rañises:



We are pleased to transmit the Financial Audit Report on the audit of Kapatagan Water District, Kapatagan, Lanaodel 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 Corporation with prescribed laws rules and regulations, the accuracy of financial records and reports and ultimately the fairness of presentation of the financial statements. Further, the audit was conducted in accordance with the generally accepted auditing standards and we believe that it provides reasonable basis for the 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. Two (2) of the significant observations contained in the report which were discussed with the concerned officials and employees of the District during the exit conference conducted on February 13, 2015 were enumerated below followed immediately by the corresponding recommendations:

1. Completed NLIF projects amounting to P12,639,493.08 were not reclassified from Construction Work in Progress (CIP) account to appropriate PPE accounts,

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thus, understating the appropriate PPE, Accumulated Depreciation and Depreciation expenses accounts.

We recommended and management agreed to strictly comply with Section 41, Volume I of the NGAS.

2. The accuracy and validity of the year-end balances of Inventory accounts amounting to P3,167,740.78 could not be ascertained as accounting control on inventory was inadequate contrary to Sections 12 and 41 of the New NGAS Manual, Volume II.

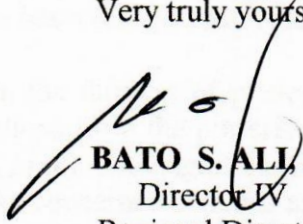
We recommended and management agreed that:

- a. The Accounting Section and Property Section maintain control cards, the Supplies Ledger Card and Stock Card, respectively;
- b. The Accounting Section to be responsible for the computation of the cost of issuance of inventories. The Storekeeper/Property Custodian to maintain the Bin cards for proper monitoring of the stock position of the supplies and materials.
- c. The Storekeeper to reconcile the balance posted in the Bin Card to reconcile with the SCs/PCs.

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 sixty 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

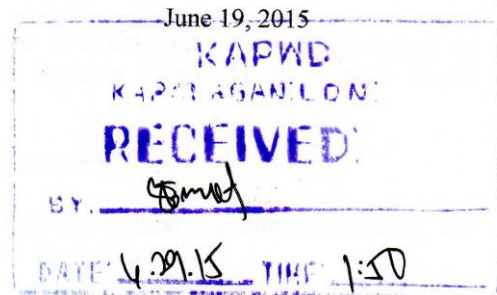
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Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. X
J.V. Serina Street, Carmen, Cagayan de Oro City

June 19, 2015

MS. ANGELITA P. ROBLES
Chairman of the Board of Directors
Kapatagan Water District
Kapatagan, Lanaodel Norte



Dear Director robles:

We are pleased to transmit the Financial Audit Report on the audit of Kapatagan Water District, Kapatagan, Lanaodel 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.

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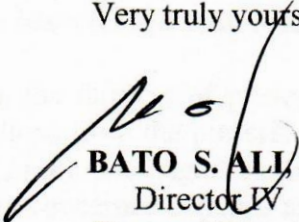
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We appreciate the invaluable support and cooperation extended by the officials and staff of that agency to the Audit Team during the audit engagement.

Very truly yours,


BATO S. ALI JR.
Director IV
Regional Director

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Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. X
Cagayan de Oro City

OFFICE OF THE SUPERVISING AUDITOR
Water Districts

March 2, 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 Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we audited the accounts and operations of **Kapatagan Water District** for the year ended December 31, 2014.

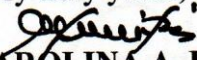
The audit was conducted to ascertain the propriety of the agency's financial transactions; its compliance with laws, rules and regulations; and the efficiency of its operations. It was also conducted to ascertain the accuracy of the financial records and reports and the fairness of presentation of the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

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

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

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

Very truly yours,


CAROLINA A. DIEZ
State Auditor V
Supervising Auditor



Republic of the Philippines
COMMISSION ON AUDIT
Region X, Cagayan de Oro City

Team R10-05, CGS – Water District

OFFICE OF THE AUDIT TEAM LEADER

February 24, 2015

Ms. Carolina A. Diez
State Auditor V
Supervising Auditor
CGS-Water District & other
Stand alone Agencies

Ma'am:

In compliance of Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, we audited the accounts and operations of the **Kapatagan Water District**, KapataganLanao del Norte, for the year ended December 31, 2014.

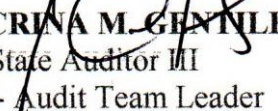
The audit was conducted on a test basis to ascertain the propriety of financial transactions and compliance of the agency to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports and the fairness of the presentation of the financial statements.

Our attached report consists of four parts, Part I – Audited Financial Statements, Part II – Observations and Recommendations which were discussed with concerned management officials and staff during the exit conference conducted on February 13, 2015, Part III – Status of Implementation of Prior Year's Recommendations, and Part IV – Annexes.

In our opinion, except for the effects of the matters discussed in Part II of this report, there is reasonable assurance that the financial statements are free from material misstatement(s) and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

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

Very truly yours,


MACRINA M. GENTILES
State Auditor III
OIC- Audit Team Leader



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. X
Carmen, Cagayan de Oro City

ANNUAL AUDIT REPORT

ON THE

KAPATAGAN WATER DISTRICT

Kapatagan, Lanao del Norte

For the Year Ended December 31, 2014

EXECUTIVE SUMMARY

A. INTRODUCTION

On September 12, 1988, the Sangguniang Bayan passed a Resolution No. 177-C, series of 1988, pursuant to Sections 6 and 7 of PD 198 which created the Kapatagan Water District (KAPWD).

At present, the water supply of the district comes from only one water source – the cathedral underground springwater located in Cathedral, Kapatagan , a 15 km barrio from Poblacion, Kapatagan, Lanao del Norte. This water supply system is now being enjoyed by the residents of twelve (12) barangays of the Municipality, namely: Poblacion, Cathedral Falls, Waterfalls, Tiacongan, San Vicente, Curvada, Bagong Silang, Poblacion, Butadon, Maranding, Dea Asis, & Tiacongan and neighboring Municipality of Lala serving barangay Maranding.

The Management of the KAPWD is composed of a General Manager (GM) and twenty seven (27) staff/employees, four (4) casual a personnel as watchmen at sources and reservoirs. The policy making body consists of five (5) directors who were appointed in accordance with the provisions of PD 198. The District has a rented office space located at local government of Kapatagan, Lanao del Norte.

B. HIGHLIGHTS OF FINANCIAL OPERATIONS

Financial Condition

	Calendar Year 2014	Calendar Year 2013	Increase
Assets	P69,788,559.32	P62,350,945.30	7,437,614.02
Liabilities	38,948,069.02	37,954,771.59	993,297.43
Residual Equity	30,840,490.30	24,396,173.71	6,444,316.59

Results of Operations

	<u>2014</u>	<u>2013</u>	<u>Increase/(Decrease)</u>
Income	P27,515,882.96	P25,072,270.34	P 846,466.77
Expenditures	21,270,713.45	21,845,288.60	1,333,308.56
Net Operating Income	P6,245,169.51	P 3,226,981.74	P (486,841.79)

C. OPERATIONAL HIGHLIGHTS

The district is serving a total population of 22,050 as of December 31, 2014. It has total service connections of 4,410 of which 4,139 were active and metered and billed. Total water sales billed for the year amounted to ₱25,647,997.94 and collected a total of ₱ 26,356,941.80 which includes collections for the current account, arrears-current year, arrears-previous years, water maintenance fees and surcharges.

For the year 2014, total water production of the district has reached 1,587,443 cubic meters, of which the total accounted water was 1,039,317 cubic meters or 62.41% leaving an unaccounted balance of 548,126 cubic meters or 34.52%.

D. SCOPE OF AUDIT

An audit was conducted on the accounts and operations of Kapatagan Water District for Calendar Year 2014.

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

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

Value for money audit was also conducted on the utilization of water supply by the District.

E. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of the presentation of the Financial Statements due to a) misclassification of NLIF completed project amounting to P12,639,439.08 as Construction Work In-Progress resulting in non-provision for allowance for depreciation and b) accuracy and validity of Materials and Supplies Inventory amounting to P3,167,740.78 could not be ascertained due to inadequate accounting and inventory controls.

F. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. Completed NLIF projects amounting to P12,639,493.08 were not reclassified from Construction Work in Progress (CWIP) account to appropriate PPE accounts, thus, understating the appropriate PPE, Accumulated Depreciation and Depreciation expenses accounts.

We recommended and management agreed to strictly comply with Section 41, Volume I of the NGAS.

2. The accuracy and validity of the year-end balances of Inventory accounts amounting to P3,167,740.78 could not be ascertained as accounting control on inventory was inadequate contrary to Section 12 and 41 of the new NGAS Manual, Volume II.

We recommended and management agreed that:

- The Accounting Section and Property Section maintain control cards, the Supplies Ledger Card and Stock Card, respectively;
 - The Accounting Section to be responsible for the computation of the cost of issuance of inventories. The Storekeeper/Property Custodian to maintain the Bin cards for proper monitoring of the stock position of the supplies and materials.
 - The Storekeeper to reconcile the balance posted in the Bin Card to reconcile with the SCs/PCs.
3. Inventories totaling P312,922.19 were recognized directly as expense upon purchase contrary to Section 43, Volume I of the NGAS.

We recommended and management agreed to comply with Section 43, Volume I, of the NGAS on the use of asset method of accounting and perpetual inventory method of recording inventories.

4. Current year budget was used to pay prior year expenses that were not recognized as Accounts Payable in the District's books contrary to Section 59 of PD 1445 and Section 4(a) of Chapter 2, Volume 1 of the NGAS.

We recommended and management agreed to obligate expenses or payables at the end of the calendar year and ascertain the true balance of OCAL account with the use of SLs in conformity with Section 4(a) of Chapter 2 of Volume 1 of the NGAS.

5. The members of the Board of Directors (BOD) were granted Performance –Based Bonus (PBB) for CY 2013 totaling P220,500.00 without legal basis, contrary to Executive Order No. 65 dated January 2, 2012.

We recommended and management agreed to strictly observe the pertinent provisions of E.O. 65 in the granting of PBB which should be supported with legal basis.

6. Performance Based Bonus (PBB) was paid to the District's personnel for CY 2013 totaling ₱245,000.00 without complying the requirements set by the Inter-agency Task Force created under Administrative Order No. 25, Dated December 21, 2011.

We recommended and management agreed to strictly comply with the guidelines set by the Inter-Agency Task Force pursuant to AO 25.

7. The District granted additional year-end cash incentives to regular and casual employees totaling P310,000.00 without legal basis contrary to DBM Circular letter No. 2009-10 dated October 17, 2003.

We recommended and management agreed to ensure that:

- a. The additional year-end bonuses received amounting to P310,000.00 will be refunded immediately and to stop granting additional bonuses without legal basis in the future to avoid disallowance in audit; and
 - b. Limit the grant of year-end incentives/ bonus equivalent to one month basic pay and cash gift at 5,000 pursuant to DBM Budget Circular No. 2010-1 dated April 28, 2010.
8. The District failed to post invitation or request for price quotation for shopping/small value procurement of supplies and materials to the PhilGEPS website contrary to Section 21.2.1 of the revised IRR of RA 9184.

We recommended and management agreed to comply with Section 21.2.1 & 8.3.1 of the Revised IRR of RA 9184.

9. The District granted Financial Assistance (Mortuary Aid) in the amount of P70,000.00 to one member of its Board of Directors contrary to Section 1(8) of Administrative Order 103.

We recommended and management agreed to observe prudence in the use of government funds and strictly adhere to the provisions of Administrative Order 103 in observing the austerity measures in government spending.

10. The District continuously maintained its accounts with the 1st Valley Bank without approval from the Department of Finance contrary to DOF Department Order No. 27-05 dated December 9, 2005.

We recommended that the management strictly comply with DOF Department Order No. 27-05 and COA Circular No. 79-114 to secure prior approval for the deposit and maintenance of government funds with bank other than the LBP and the DBP every year.

11. Compliance to the Philippine Development Plan (PDP) for FY 2011-2012 was not guaranteed since the District Corporate Operating Budget (COB) for FY 2014 was not submitted to the Department of Budget and Management (DBM) for review as required under the DBM Corporate Budget Memorandum (CBM) dated December 28,2012.

We recommended and management agreed to submit the COB to the DBM punctually as required by the DBM CBM 34 or the Policy Guidelines and Procedures in the Preparation and Submission of the FY 2014 Budget Proposals for COA to be able to monitor and evaluate the accuracy of the agency's reported performance against its approved targets aligned with MFOs, KRAs, and sector outcomes in the PDP Results Matrices; the Budget Officer to furnish COA the Annual Budget supported with complete documents every year thereafter.

12. The District did not appropriate funds for the Disaster Risk Reduction and Management (DRRM) System, contrary to RA 10121, or the Philippine Disaster Risk Reduction and Management Act of 2010 .

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

13. The District did not prepare Gender and Development (GAD) plan and activities while the appropriated budget was below the 5% of the agency's total budget as mandated under Section 33 of CY 2014 GAA and PCW-NEDA-DBM Joint Circular No. 2012-01.

We recommended and management agreed to:

- a. prepare GAD Plan every year designed to address gender issues;
- b. appropriate funds equivalent to 5% budgetary appropriation for GAD;
- c. Abide by the requirement of DBM, NEDA and NCRFW Joint Circular No. 2004-1 in formulating GADs Plan. The GAD Plan should comprise programs, projects and activities that will address existing and future potential gender issues. Prioritize GAD as a dynamic, modern and international concept.
- d. Designate GAD focal person which serves as the technical working group whose task is to facilitate the preparation of District GAD plan, catalyze, coordinate, provide directions and monitor the program/projects on gender and development concerns of the District.

14. The District failed to implement the necessary control measures to mitigate the unaccounted water loss of 548,126 cubic meter equivalent to 34.43% (average) of the total water production which is far beyond the tolerable allowance of 20% water loss of LWUA.

We recommended that the management initiate control measures to address and minimize the non-revenue water to improve delivery of services and ultimately increase its revenue.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 13 audit recommendations contained in the Annual Audit Report on the Water District for the Calendar Year 2013, eight (8) were fully implemented, and five (5) were not implemented, of which, three (3) were reiterated in this report.

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PART I –
AUDITED FINANCIAL STATEMENTS



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. X
Cagayan de Oro City

INDEPENDENT AUDITOR'S REPORT

BUENALITA B. RAÑISES

General Manager
Kapatagan Water District
Kapatagan, Lanao del Norte

We have audited the accompanying financial statements of Kapatagan 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

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.

Bases for Qualified Opinion

As discussed in detail in Part II of this report:

1. Completed NLIF projects amounting to P12,639,493.08 were not reclassified from Construction Work in Progress (CWIP) account to appropriate PPE accounts, thus, understating the appropriate PPE, Accumulated Depreciation and Depreciation expenses accounts.
2. The accuracy and validity of the year-end balances of Inventory accounts amounting to P3,167,740.78 could not be ascertained as accounting control on inventory was inadequate contrary to Section 12 and 41 of the new NGAS Manual, Volume II.

Qualified Opinion

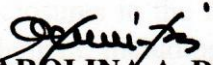
In our opinion, except for the effects of the matter described in the Bases for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Kapatagan Water District as at December 31, 2014, and of its financial performance and its cash flows 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 13, 2015.

COMMISSION ON AUDIT

By:


CAROLINA A. DIEZ
State Auditor V
Supervising Auditor

February 23, 2015




Republic of the Philippines
KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of the **Kapatagan Water District, Kapatagan, Lanao Del Norte** is responsible for all information and representation contained in the Balance Sheet as of **December 31, 2014** and the related Statement of Income and Expenses, Statement of Cash Flows and Statement of Changes in Government Equity for the period then ended. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on best estimates and informed judgement of management with an appropriate consideration of 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.


LEEVENA S. BALILI
Accounting Processor


GM BUENALITA B. RAÑISES
General Manager



KAPATAGAN WATER DISTRICT BALANCE SHEET

As of December 31, 2014
(With Comparative Figures for December 31, 2013)

	2014	2013
ASSETS		
Current Assets		
Cash (Note 3)		
Cash-Collecting Officer	₱ 71,712.73	₱ 363,725.03
Petty Cash Fund	0.00	4,898.30
Payroll Fund	0.00	70.58
Cash in Bank-Local Currency	8,378,909.47	2,573,361.41
Total	<u>8,450,622.20</u>	<u>2,942,055.32</u>
Receivables (Note 4)		
Accounts Receivable-Net	518,446.67	524,972.03
Due from Officers & Employees	13,000.00	1,670.64
Other Receivable	77,310.44	72,574.17
Total	<u>608,757.11</u>	<u>599,216.84</u>
Inventories (Note 5)		
Other Inventories	3,167,740.78	1,368,898.55
Total	<u>3,167,740.78</u>	<u>1,368,898.55</u>
TOTAL CURRENT ASSETS	<u>12,227,120.09</u>	<u>4,910,170.71</u>
Property, Plant & Equip't (Note 6)		
Land	2,029,309.23	529,309.23
Land Improvements	38,058,066.44	37,399,673.42
Accumulated Depreciation	(4,627,747.20)	(2,973,302.37)
Total	<u>35,459,628.47</u>	<u>34,955,680.28</u>
Equipment and Machinery		
Office Equipment	1,075,849.31	975,579.64
Accumulated Depreciation	(496,693.82)	(412,227.84)
Machineries and Equipment	10,558,851.30	10,434,311.55
Accumulated Depreciation	(3,076,935.13)	(2,553,160.24)
Other Machineries	150,000.00	-
Accumulated Depreciation	0.00	0.00
Motor Vehicles	969,975.89	969,975.89
Accumulated Depreciation	(592,437.64)	(519,7836.34)
Other Property, Plant and Equipment	1,507,601.01	1,507,601.01
Accumulated Depreciation	(633,893.24)	(526,127.44)
Total	<u>9,312,317.68</u>	<u>9,876,169.23</u>
Construction in Progress		
Construction in Progress-Plant	12,639,493.08	12,608,925.08
Total Property, Plant and Equipment	<u>57,561,439.23</u>	<u>57,440,774.59</u>
TOTAL ASSETS	<u>₱ 69,788,559.32</u>	<u>₱ 62,350,945.30</u>

ULIABILITIES AND EQUITY

LIABILITIES

Current Liabilities (Note 7)

Payable Accounts

Accounts Payable	₱ 2,296,704.31	₱ 1,437,671.86
Total	<u>2,296,704.31</u>	<u>1,437,671.86</u>

Inter-agency Payables

Due to BIR	105,631.85	72,622.51
Due to GSIS	161,285.24	127,293.67
Due to Pag-ibig	44,338.25	43,223.39
Due to Philhealth	10,046.98	9,396.98
Due to Brgy. Tiacongan	34,010.88	0.00
Due to concessionaires-MWWF	163,690.00	0.00
Due to Local Gov't. Units	1,528,516.48	0.00

Total	<u>2,047,519.68</u>	<u>252,536.55</u>
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TOTAL CURRENT LIABILITIES

<u>4,354,270.97</u>	<u>1,690,208.41</u>
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NON- CURRENT LIABILITIES

Loans Payable (Note 8)	34,593,798.05	36,264,563.18
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TOTAL LIABILITIES

<u>38,948,069.02</u>	<u>37,954,771.59</u>
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Government Equity	4,000,013.34	4,000,013.34
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Retained Earnings	26,840,476.96	20,396,160.37
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Total Equity	<u>30,840,490.30</u>	<u>24,396,173.71</u>
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TOTAL LIABILITIES AND EQUITY	₱ <u>69,788,559.32</u>	₱ <u>62,350,945.30</u>
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(See Accompanying Notes to Financial Statements)



Kapatagan Water District
STATEMENT OF INCOME AND EXPENSES
 For the Year Ended December 31, 2014
 (With Comparative Figures for December 31, 2013)

	2014	2013
INCOME (Note 9)		
Business and Service Income		
Business income		
Income from waterworks Systems	₱ <u>25,647,997.94</u>	₱ <u>23,087,659.04</u>
Total Business Income	<u>25,647,997.94</u>	<u>23,087,659.04</u>
Other Income		
Interest	32,526.43	12,068.43
Misc. Operating & Service Income	72,400.00	58,715.80
Misc. Non Operating Revenues	116,308.86	388,769.41
Other business - New Service Connections	1,046,203.66	971,924.52
Fines and penalties	<u>600,446.07</u>	<u>553,133.14</u>
Total Other Income	<u>1,867,885.02</u>	<u>1,984,611.30</u>
TOTAL INCOME	<u>27,515,882.96</u>	<u>25,072,270.34</u>
Expenses (Note 10)		
Personnel Services		
Salaries and wages	5,336,764.41	5,177,308.47
Overtime pay, director's fees & remunerations	1,966,278.50	2,729,083.71
Personnel benefits contributions		
- GSIS Contributions	643,251.18	619,349.92
- PAG-IBIG Contributions	37,200.00	37,800.00
- Philhealth Contributions	60,525.00	61,036.49
- ECC Contributions	37,080.00	37,538.61
Other personnel benefits – (PERA, ADCOM, RATA, & others)	<u>2,511,489.66</u>	<u>2,618,570.22</u>
Total Personnel Services	<u>10,592,588.75</u>	<u>11,280,687.42</u>
Maintenance and other expenses		
Traveling	240,585.16	347,992.57
Training and scholarship	21,140.00	24,050.00
Supplies and materials	186,019.50	631,842.21
Gasoline, Oil and Lubricant	174,900.54	223,874.62
Expense		
Utility	22,953.81	20,285.32

Communication	83,719.94	84,144.73
Advertising	122,208.00	123,658.34
Chemical & Filtering Materials	252,099.36	262,599.36
Rent	120,000.00	114,000.00
Representation	90,852.78	114,075.01
Insurance Expenses	157,050.32	121,939.15
Professional services	31,950.00	19,620.00
Other outside services	205,933.58	104,064.85
employed		
Repairs and maintenance	1,140,714.91	1,221,467.55
Subsidies and donations	10,423.00	31,422.73
Taxes & licenses	455,356.96	426,271.35
Depreciation	2,443,105.80	1,284,269.76
Other Maint and Operating Exp.	2,276,912.23	2,644,442.66
Total Maint & Other Operating Expenses	<u>8,035,925.89</u>	<u>7,800,020.21</u>
Financial expenses		
Interest – LWUA	2,642,198.81	2,764,580.97
Total Financial Expenses	<u>2,642,198.81</u>	<u>2,764,580.97</u>
TOTAL EXPENSES	<u>21,270,713.45</u>	<u>21,845,288.60</u>
NET INCOME	₱ <u>6,245,169.51</u>	₱ <u>3,226,981.74</u>

(See Accompanying Notes to Financial Statements)



Kapatagan Water District
STATEMENT OF CASH FLOWS
 For the Year Ended December 31, 2014
 (With Comparative Figures for CY 2013)

	2014	2013
Cash Flow from Operating Activities:		
<i>Cash Inflows: (Note 11)</i>		
Collection of Income/Revenues	₱ 28,121,446.18	₱ 25,302,705.21
Receipt of refunds of cash advances and overpayments of expenses	4,929,267.79	456,807.05
Receipt from sale of goods and other inventories	94,145.50	0.00
Total Cash Inflows	<u>33,144,859.47</u>	<u>25,759,512.26</u>
<i>Cash Outflows:</i>		
Cash payment of operating expenses	9,824,977.95	6,062,536.55
Cash payment of payables incurred in operations	3,894,714.72	2,864,820.79
Cash purchase of inventories	354,763.22	16,466.00
Granting of cash advances/petty cash fund	6,974,601.45	8,458,286.26
Remittance of withholding taxes except thru Tax Remittance Advice	720,389.00	619,278.00
Remittance of GSIS/PAG-IBIG/PHILHEALTH Payable	1,398,253.38	1,250,294.70
Total Cash Outflows	<u>23,167,699.72</u>	<u>19,271,682.30</u>
Cash Provided by Operating Activities	<u>9,977,159.75</u>	<u>6,487,829.96</u>
Cash Flow from Investing Activities:		
<i>Cash Inflows:</i>		
Receipt of proceeds from sale of property, plant and equipment	0.00	0.00
Redemption of long term investments or repayment		
Total Cash Inflows	<u>0.00</u>	<u>0.00</u>
<i>Cash Outflows:</i>		
Cash Purchase of Property, Plant and Equipment	250,996.87	265,987.75
Other Long Term Investments	0.00	0.00
Total Cash Outflows	<u>250,996.87</u>	<u>265,987.75</u>

Cash Provided by Investing Activities	<u>(250,996.87)</u>	<u>(265,987.75)</u>
Cash Flow from Financing Activities:		
<i>Cash Inflows:</i>		
Cash received from domestic and foreign loans	<u>0.00</u>	<u>0.00</u>
<i>Total Cash Inflows</i>	<u>0.00</u>	<u>0.00</u>
<i>Cash Outflows:</i>		
Payment of Domestic and Foreign Loans	<u>4,217,596.00</u>	<u>4,229,916.00</u>
<i>Total Cash Outflows</i>	<u>4,217,596.00</u>	<u>4,229,916.00</u>
Cash Provided by Financing Activities	<u>(4,217,596.00)</u>	<u>(4,229,916.00)</u>
Total Cash provided by Operating, Investing and Financing Activities	5,508,566.88	1,991,926.21
Add: Cash Balance, Beginning	<u>2,942,055.32</u>	<u>950,129.11</u>
Cash Balance, Ending	₱ <u><u>8,450,622.20</u></u>	₱ <u><u>2,942,055.32</u></u>

(See Accompanying Notes to Financial Statements)



Kapatagan Water District
DETAILED STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31, 2014
 (With comparative figures for 2013)

	2014	2013
Government Equity		
Balance at beginning of period	₱4,000,013.34	₱4,000,013.34
Additions (deductions)	_____	_____
Balance at end of period	4,000,013.34	4,000,013.34
Restricted Capital		
Balance at beginning of period		
Additions (deductions)		
Balance at end of period	-	-
Donated Capital		
Balance at beginning of period		
Additions (deductions)		
Balance at end of period	-	-
Retained Earnings		
Balance at beginning of period	20,396,160.37	17,142,387.83
Prior period adjustments	199,147.08	26,790.80
Changes during the period		
Net income (loss) for the period	6,245,169.51	3,226,981.74
Balance at end of period	26,840,476.96	20,396,160.37
TOTAL EQUITY	<u>₱30,840,490.30</u>	<u>₱24,396,173.71</u>



KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte

Notes to Financial Statement

Agency Profile

The Kapatagan Water District (KAPWD) is a Government-Owned & Controlled Corporation (GOCC) that was officially created on September 12, 1988 by virtue of SB Res. No. 177-C in accordance with Sec. 6 P.D. 198 of the Provincial Water Utilities Act of 1973.

On October 24, 1989 KAPWD was issued a Certificate of Conditional Conformance (CCC418) by the Local Water Utilities Administration (LWUA).

1. Basis of Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles and standards and pertinent provisions contained in the Commercial Practices Manual for Local Water Utilities Administration and the New Government Accounting system (NGAS).

2. Summary of Significant Accounting Policies

The accrual method of accounting is adopted for both income and expenses.

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) are carried at cost less accumulated depreciation. Depreciation is computed on a straight line method based on the estimated useful life ranging from five (5) to ten (10) years in accordance with COA Circular No. 2003-007 dated December 11, 2003.

3. Cash

Details of the Cash in bank accounts are as follows :

			2014		2013
Cash in Bank	22-00008-5	₱	2,849,931.34	₱	1,068,055.14
Cash in Bank (LBP)	0802-1078-11		339,043.92		280,266.41
Cash in Bank (LBP)	0801-0610-87		3,382,020.95		1,151,707.17
Cash in Bank (FVB)	51-19772-1		269,396.78		73,332.69

Cash in Bank (LBP)	0802-1148-50		1,538,516.48		0.00
Total		₱	8,378,909.47	₱	2,573,361.41

- The 1st Valley Bank (22-00008-5) is the depository bank of the district in reference to daily deposit of collections and withdrawal of funds for operations;
- LBP Account No. 0802-1078-11 was utilized to withdraw funds to remit employee and government shares for GSIS, Pag-ibig, Philhealth and BIR;
- LBP Account No. 0801`-0610-87 served as the joint savings account of LWUA and KAPWD.
- 1st Valley Bank Account No. 51-19772-1 served as their combo account of GAD, Calamity, and local mandatory savings account. On this same account the district withdrew funds to pay the agency bonuses and other personnel benefits during the year;
- LBP Account No. 0802-1148-50 served as account for LWUA Project Fund for 3 Brgys namely Lapinig, Suso & Bansarvil. Said account was opened last September 2014 and will be terminated as soon as the projects of the 3 brgys are completed.

4. Receivables

Account Receivables as of December 31, 2014 consist of the following:

	2014	2013
A/R- Customers	₱ 518,446.67	₱ 524,972.03
Allow. for doubtful Accounts	0.00	0.00
A/R – Others (New SVC Loan)	77,310.44	70,055.75
Due from Officers & Employees	13,000.00	1,670.64
Other Receivable	0.00	2,518.42
TOTAL	₱ 608,757.11	₱599,216.84

5. Inventories

This consists of unissued materials which are kept in stock for future use in the operations of the district.

	2014	2013
Raw Materials Inventory	₱ 3,167,740.78	₱ 1,368,898.55
TOTAL	₱ 3,167,740.78	₱ 1,368,898.55

Increase in raw materials inventory was a consequence of purchasing in volume pipes, coupling, water meters and other materials for new service connections and maintenance purposes. These are fast moving materials necessary for the district operation.

6. Property, Plant and Equipment

	2014	2013
Land	₱ 2,029,309.23	₱ 529,309.23
Land Improvements		
a. Transmission Line	38,058,066.44	37,399,673.42
Accumulated Dep'n	(4,627,747.20)	(2,973,302.37)
Office Equip't, Furniture & Fixtures	1,075,849.31	975,579.64
Accumulated Dep'n	(496,693.82)	(412,227.84)
Machineries and Equipment		
a. Reservoir & Tanks	3,826,444.12	3,826,444.12
Accumulated Dep'n	(1,114,937.21)	(940,227.22)
b. Water Treatment Equip't	706,875.00	672,687.00
Accumulated Dep'n	(327,049.06)	(250,899.70)
c. Pumping Equipment	5,318,688.45	5,304,646.45
Accumulated Dep'n	(1,204,884.20)	(959,052.50)
d. Tel., Telegraph & Radio equip't	279,605.00	219,605.00
Accumulated Dep'n	(105,104.39)	(94,295.25)
e. Tools & Garage	427,238.73	410,928.98
Accumulated Dep'n	(324,960.27)	(308,685.57)
Other Machineries	150,000.00	0.00
Accumulated Dep'n	0.00	0.00
Motor Vehicles	969,975.89	969,975.89
Accumulated Dep'n	(592,437.64)	(519,783.34)
Other Property, Plant and Equipment	1,507,601.01	1,507,601.01
Accumulated Dep'n	(633,893.24)	(526,127.44)
Construction in Progress - Agency Asset	12,639,493.08	12,608,925.08
Total PPE	₱ 57,561,439.23	₱ 57,440,774.59

PPE accounts in the amount of P **52,320,343.95** excluding Land is comprised of the properties of relatively permanent in character that are used in normal utility operations of water district. Said properties were carried at historical cost less accumulated depreciation using the straight line method over the estimated useful lives of the properties pursuant to COA Circular No. 2003-007 dated December 11, 2003. In addition, Construction in Progress – Agency Assets amounting P **12,639,493.08** comprised of the cost or accumulated value of agency assets,

which were already completed but still need to be adjusted and be added to the PPE Account. An inventory report as of December 31, 2014 of these PPE accounts were submitted by the district in compliance with the COA rules and regulations.

In the case of Land, its increase is a result of the 600 square meter acquisition by the district for office building construction.

7. Current Liabilities

<i>Accounts</i>	<i>2014</i>	<i>2013</i>
	<i>Amount</i>	<i>Amount</i>
1 - A. Accounts Payable:		
Suppliers (Materials& Equipments)		
FSWT	₱ 666,184.94	₱ 125,534.27
Jhaycor	192,000.00	865,366.00
MRM Empire Trading	109,009.00	0.00
Sonjay	26,150.00	38,100.00
Mabuhay Vinyl	24,516.56	12,258.28
Solarcom Marketing	0.00	8,000.00
Real Computer	0.00	70,000.00
Bryan Auto Supply	5,690.00	1,264.00
Jackson Air Kooler	4,680.00	0.00
Lanao Computer Sales	0.00	1,872.50
Galls Construction Supply	853.66	0.00
Sub-total	₱ 1,029,084.16	₱ 1,122,395.05
1 - B. Accounts Payable:		
COA – Audit fees	₱ 280,000.00	₱ 280,000.00
NORMIN NRMC	2,500.00	0.00
Kapatagan Petron Station	10,524.31	25,276.81
LGU – Kapatagan	0.00	10,000.00
Raul C. Carreon, Jr.	3,680.00	0.00
Susan L. Uy	1,000,000.00	0.00
Subtotal	₱ 1,296,704.31	₱ 315,276.81
Due to BIR	105,631.85	72,622.51
Due to GSIS	161,285.24	127,293.67
Due to Pag-ibig	44,338.25	43,223.39
Due to Philhealth	10,046.98	9,396.98
Due to Brgy. Tiacongan	34,010.88	0.00
Due to Concessionaires – WMMF	163,690.00	0.00
Due to 3 brgys (Bansarvil, Lapinig, Suso)	1,528,516.48	0.00
TOTAL AMOUNT	₱ 4,354,270.97	₱ 1,690,208.41

Accounts Payable(1-A) amounting to **P 1,029,084.16** comprises the liability accounts of the district for materials used for installation, repairs & maintenance of service connections & supplies incurred but not yet paid. Whereas, the accounts payable (1-B) amounting **₱ 1,296,704.31** consists of accountability for audit fees, annual registration for Water Districts' organization, gasoline, oil & lubricants already consumed & received but not yet paid as well as services rendered but not yet paid and a 600 square meters lot owned by Susan L. Uy, purchased by the district for office building amounting P1.5M but was partially paid the amount of P500, 000.00. On the other hand, Due to BIR, Due to GSIS, Due to Pag-ibig and Due to Philhealth accounts represent remittances of employees and employer government shares deducted for the month of December 2014 to be remitted on or before the 10th day of the month of January, 2015. Due to Brgy. Tiacongan, Due to Concessionaires & Due to 3brgys are trust funds.

8. Long-Term Liabilities

<i>Accounts</i>	<i>2014</i>	<i>2013</i>
	<i>Amount</i>	<i>Amount</i>
1. Loans Payable-Regular LA# 3-703	₱ 4,425,469.72	₱ 4,719,517.33
2. Loans Payable-Soft LA# 3-703	809,945.09	868,216.09
3. Loans Payable-KFW LA# 4-2262A-RL	12,945,003.00	13,378,013.00
4. LA# 4-2262B-RL	2,108,106.00	2,178,607.00
6. Loans Payable- LA# 4-2435	2,395,032.24	2,922,287.76
7. Loans Payable - NLIF - LA#9-0288	11,910,242.00	12,197,922.00
TOTAL AMOUNT	₱34,593,798.05	₱36,264,563.18

The purpose of providing a safe, reliable, sound and economically viable water supply and wastewater disposal system, the district entered into various loans and financial assistance contracts as follows:

The loan account No. 3-703 regular loan is a Level III Loan entered by the district on March 15, 1995 with monthly amortization P62,591. On December 1997 another loan entered by the district as a Soft Loan account no. 3-703 with a monthly amortization of P10, 822.00.

The KFW loan (LA#4-2262A) and (LA#4-2262B) had a monthly amortization of P173, 443.00 and P28, 244.00, respectively.

The Loan account No. 4-2435 is a Regular Loan entered on November 21, 2008 by the district with LWUA with estimated amortization of P52, 393 per month.

The Loan account 9-0288 is an NLIF –DOH Loan of P7, 500,000 and Grant of P7, 500,000 a total released of P15M entered on August 24, 2012 by the district with LWUA with interest rate of 0% and the repayment period shall be 290 months after project completion with amortization of P22, 536 per month.

9. Income

	2014	2013
INCOME		
Business and Service Income		
Business income		
Income from waterworks Systems	₱ 25,647,997.94	₱ 23,087,659.04
Total Business Income	25,647,997.94	23,087,659.04
Other Income		
Interest	32,526.43	12,068.43
Misc. Operating & Service Income	72,400.00	58,715.80
Misc. Non Operating Revenues	116,308.86	388,769.41
Other business - New Service Connections	1,046,203.66	971,924.52
Fines and penalties	600,446.07	553,133.14
Total Other Income	1,867,885.02	1,984,611.30
TOTAL INCOME	₱ 27,515,882.96	₱ 25,072,270.34

10. Expenses

	2014	2013
Expenses		
Personnel Services		
Salaries and wages	₱ 5,336,764.41	₱ 5,177,308.47
Overtime pay, director's fees & remunerations	1,966,278.50	2,729,083.71
Personnel benefits contributions		
- GSIS Contributions	643,251.18	619,349.92
- PAG-IBIG Contributions	37,200.00	37,800.00
- Philhealth Contributions	60,525.00	61,036.49
- ECC Contributions	37,080.00	37,538.61
Other personnel benefits – (PERA, ADCOM, RATA, & others)	2,511,489.66	2,618,570.22
Total Personnel Services	10,592,588.75	₱ 11,280,687.42
Maintenance and other expenses		
Traveling	240,585.16	₱ 347,992.57
Training and scholarship	21,140.00	24,050.00
Supplies and materials	186,019.50	631,842.21
Gasoline, Oil and Lubricant	174,900.54	223,874.62
Expense		
Utility	22,953.81	20,285.32

Communication	83,719.94	84,144.73
Advertising	122,208.00	123,658.34
Chemical & Filtering Materials	252,099.36	262,599.36
Rent	120,000.00	114,000.00
Representation	90,852.78	114,075.01
Insurance Expenses	157,050.32	121,939.15
Professional services	31,950.00	19,620.00
Other outside services employed	205,933.58	104,064.85
Repairs and maintenance	1,140,714.91	1,221,467.55
Subsidies and donations	10,423.00	31,422.73
Taxes & licenses	455,356.96	426,271.35
Depreciation	2,443,105.80	1,284,269.76
Other Maint and Operating Exp.	2,276,912.23	2,644,442.66
Total Maint & Other Operating Expenses	8,035,925.89	7,800,020.21
Financial expenses		
Interest – LWUA	2,642,198.81	2,764,580.97
Total Financial Expenses	2,642,198.81	2,764,580.97
TOTAL EXPENSES	₱ 21,270,713.45	₱ 21,845,288.60

11. Cash Flow

The details of Cash in flow from operating activities are shown below:

	2014	2013
Cash flow from operating activities		
Cash inflows:		
Collection of Income/Revenues		
Misc. Non Operating Income	₱ 21,841.96	₱ 466,129.26
Misc. Operating & Service income	72,400.00	58,700.00
Receipts of Water Sales	26,233,487.47	23,612,552.73
Receipts of New Service Connections	1,631,745.31	1,165,323.22
Receipts of Water meter Maintenance Fee	161,971.44	-
Total Collection of Income/Revenues	28,121,446.18	25,302,705.21
Receipt of refunds of cash advances and overpayments of expenses	115,121.25	447,152.32

Other receipts		
LWUA Project Fund for 3 brgy's (Suso, Lapinig & Bansarvil)	4,765,125.00	
Project Equity - Brgy. San Vicente	20,000.00	
Interest earned from the bank less w/tax	29,021.54	9,654.73
Total Receipt of refunds of cash advances and overpayments of exp.	4,929,267.79	456,807.05
Receipt from sale of goods and other inventories	94,145.50	0.00
Total Receipts from Sale of goods & other inventories	94,145.50	0.00
Total Cash Inflows	₱ 33,144,859.47	₱ 25,759,512.26

PART II –

**OBSERVATIONS AND
RECOMMENDATIONS**

DETAILED OBSERVATIONS AND RECOMMENDATIONS

- 1. Completed NLIF projects amounting to P12,639,493.08 were not reclassified from Construction Work in Progress (CIP) account to appropriate PPE accounts, thus, understating the appropriate PPE, Accumulated Depreciation and Depreciation expenses accounts.**

Section 41 Volume I of the New Government Accounting System (NGAS) provides that during construction period, property, plant and equipment (PPE) shall be classified and recorded as "Construction in Progress" (CIP) with the appropriate asset classification. As soon as these are completed, the "Construction in Progress" account shall be transferred to the appropriate asset accounts.

Clearly, adherence to timely capitalization of Construction Work in Progress (CIP) is an imperative accounting procedure as the capitalization of these shall correspond to depreciation, subject to procedures defined by NGAS, of proper Utility Plant in Service (UPIS) subsidiary accounts in compliance with the matching principle of accounting.

Review of projects listed under CWIP in the District's books and the supporting documents showed that completed projects, funded under NLIF totaling P12,639,493.08 still remained in the CWIP account as of year-end. Upon inquiry, the accounting in charge acknowledged that the documents such as the "Transfer of Project" (TOP) documents required prior to capitalization were not yet submitted to the accounting section for recording.

The failure to reclassify the completed projects from CWIP account to appropriate PPE accounts understated the PPE, Accumulated Depreciation and Depreciation Expenses accounts.

We recommended and management agreed to strictly comply with Section 41, Volume I of the NGAS.

Management Comments:

Management agreed to the recommendation and committed to its implementation by requiring the accounting personnel to make adjustment in the accounts and that by March 2015 said adjustment should be reflected in the journal voucher.

- 2. The accuracy and validity of the year-end balances of Inventory accounts amounting to P3,167,740.78 could not be ascertained as accounting control on inventory was inadequate contrary to Sections 12 and 41 of the New NGAS Manual, Volume II.**

The related provisions of the new NGAS Manual, Volume II are as follows:

Section 12. Subsidiary Ledger (SL). The SL is a book of final entry containing the details or breakdown of the balance of the controlling account appearing in the

GL. Postings to the SL generally come from the source documents. Examples of GL accounts which have SL are Cash-Collecting Officers, Cash-Disbursing Officers, Cash in Bank – Local Currency, Current Account, Accounts Receivable, Notes Receivable, etc. The totals of the SL balances shall be reconciled with their respective control account regularly or at the end of each month. Schedules shall be prepared periodically to support the corresponding controlling GL accounts. Examples of subsidiary ledgers (SLs) are:

- Subsidiary Ledger (SL) (*Appendix 7*)
- Property, Plant and Equipment Ledger Card (PPELC) (*Appendix 8*)
- Supplies Ledger Card (SLC) (*Appendix 9*)
- Construction in Progress Ledger Card (CIPLC) (*Appendix 10*)
- Investment Ledger Card (ILC) (*Appendix 11*)

The Stock Card (SC) shall be used to record all receipts and issuances of supplies. It shall be maintained by the Supply and Property Unit for each item in stock. (Section 41)

Essentially, the SLC shall be maintained by the Accounting Unit for each type of supplies to record all receipts and issuances. Also, SCs are specifically prescribed therein to be maintained by the Supply and Property Unit for each type of supplies, to record all receipts and issuances and monitor stocks movement. In both cards, posting of transactions shall be made promptly from source documents. Emphasis is made by the circular on the simultaneous keeping of said cards to achieve agreement between physical inventory and accounting records and that, with this information, the physical quantity and the valuation of goods on hand at any time are available from the accounting records.

Per financial statements as of December 31, 2014, the district year end balances of Inventory accounts amounting to P3,167,740.78. However observation revealed that while the Supply and Property Unit maintain the SCs to record all receipts, issuances and monitor stock movement of procured supplies and materials during the year, the Accounting Unit did not maintain the required SLC to record and compute for such inventory cost.

As a result, the Accounting Unit relied much of their data from the Supply and Property Unit pertaining to year-end balances of materials and supplies inventory accounts which may affect the accuracy and validity of said accounts considering that said SCs were not also regularly updated by them. The principle of check and balance between the SLs and SCs of the Accounting Unit and the Supply and Property Unit was not observed. At the same time, the agreement of the physical inventory and accounting records of the procured materials and supplies inventory accounts was not achieve.

The practice of one time entry of all inventory transactions to appropriate accounts as one of the District's month-end accounting activity defeats the purpose of the Perpetual Inventory Method.

We recommended and management agreed that:

- a. **The Accounting Section and Property Section maintain control cards, the Supplies Ledger Card and Stock Card, respectively;**
 - b. **The Accounting Section to be responsible for the computation of the cost of issuance of inventories. The Storekeeper/Property Custodian to maintain the Bin cards for proper monitoring of the stock position of the supplies and materials.**
 - c. **The Storekeeper to reconcile the balance posted in the Bin Card to reconcile with the SCs/PCs.**
- 3. Inventories totaling P312,922.19 were recognized directly as expense upon purchase contrary to Section 43, Volume I of the NGAS.**

Pursuant to the COA Circular No. 2001-004 and 2002-002 dated October 30, 2001 and June 16, 2002, respectively, the NGAS prescribes the Asset Method of Accounting for recording purchases of materials and supplies under which expense related to disbursements for such procurement, when these apply to more than one accounting period, shall be recorded only upon utilization or consumption. The accounting process by which subject transaction is recorded initiates upon the receipt of items and related documents e.g., charge invoice, delivery receipt and the likes. The asset method dictates the recognition of the receipt and thus an accounting entry is required wherein the appropriate asset and liability accounts are debited and credited, respectively. However, the method does not apply to supplies disbursement through the petty cash fund.

The asset method is complementary to the Perpetual Inventory Method, which the NGAS likewise mandates. Detailed perpetual inventory records, in addition to the usual ledger accounts, are maintained for each inventory item, and an inventory control account is maintained in the general ledger on a current basis when the inventory method is followed. Non-conformity with the former method unfavorably affects the facilitative purpose of the latter method which should render the physical quantity and the valuation of goods available on hand at any time from the accounting records.

Examination of entries made to subsidiary accounts under Office Supplies Expense account revealed various procurement of inventories directly recognized as incurred under the account. It is also noted that all transactions pertaining to such outright expense were made through check vouchers. Total of P312,922.19 represented 20 instances of deviation as shown in **Annex A**.

The district control of its supplies which may not have been utilized/consumed and those which should have been covered with the necessary custodian slip is undermined since the district's accounting records do not reflect the existence and ownership of the subject supplies.

These inventories are often inappropriately utilized or consumed due to their individual immateriality.

We recommended and management agreed to comply with Section 43, Volume I, of the NGAS on the use of asset method of accounting and perpetual inventory method of recording inventories.

- 4. Current year budget was used to pay prior year expenses that were not recognized as Accounts Payable in the District's books contrary to Section 59 of PD 1445 and Section 4(a) of Chapter 2, Volume 1 of the NGAS.**

Section 59 of PD 1445, provides that in the audit of liabilities, the auditor shall seek to establish that all obligations of the agency have been accurately recorded, only bonafide obligations of the agency have been included, the obligations incurred are properly authorized; all provisions of trust indentures or mortgages are complied with; and mortgages and other encumbrances are fully disclosed.

Section 4(a) of Chapter 2, Volume 1 of the NGAS for National Financial transaction provides for the use of the modified accrual basis of accounting. All expenses shall be recognized when incurred and reported in the financial statements in the period to which they relate.

Financial statement as of December 31, 2008 disclosed that OCAL account amounted to P1,437,671.86.

However, audit of expenditures for CY 2014 showed that there were unobligated payables incurred in CY 2013 which were paid in CY 2014 and directly charged to the current year's corporate budget totaling P594,078.20, as shown in **Annex B.**

Unobligated disbursements/expenses should not be charged against the current year's budget/expenses because government agencies can only pay expenses or payables that have been properly recorded and obligated.

This also resulted to overstatement of expenses in CY 2014 and understatement of prior year's expenses.

We recommended and management agreed to obligate expenses or payables at the end of the calendar year and ascertain the true balance of OCAL account with the use of SLs in conformity with Section 4(a) of Chapter 2 of Volume 1 of the NGAS.

- 5. The members of the Board of Directors (BOD) were granted Performance – Based Bonus (PBB) for CY 2013 totaling P220,500.00 without legal basis, contrary to Executive Order No. 65 dated January 2, 2012.**

Section 3 of E.O. 65 states that the compensation of members of the Board of Directors (BOD) shall have the following components:

- a) Compensation shall be in the form of per diems and subject to limits as provided for under Section 4 and 5 hereof,

- b) Compensation in the form of Performance-Based incentives may be allowed and shall be based on a set of performance criteria as provided under Section 9 hereof,
- c) xxx
- d) Salaries, allowances, Benefits, and other Bonuses shall not be allowed unless specifically authorized by law or charter and approved by the President, provided that the total of the foregoing compensation and per diems shall not exceed the limits stipulated under Section 4 and 5 hereof.

Likewise, Section 9 of E.O. 65 states that Performance-Based Incentives not to exceed 50% of the actual per diem received for Regular and Special Board meetings, subject to a set of performance criteria developed by LWUA, endorsed by the GCG and subject to the approval of the President.

Our review of disbursements for CY 2014 disclosed payments of 2013 PBB to the BOD totaling P220,500.00 without authority and is disallowable in audit:

<u>Name of BOD</u>	<u>Amount of PBB</u>
1. Robles, Angelita P.	P 44,100.00
2. Eya, Enrico P.	44,100.00
3. Carreon, Ray C..	44,100.00
4. Pamotongan Jimmy D.	44,100.00
5. Castellano, Lito P.	44,100.00
TOTAL	P 220,500.00 =====

We recommended and management agreed to strictly observe the pertinent provisions of E.O. 65 in the granting of PBB which should be supported with legal basis.

6. Performance Based Bonus (PBB) was paid to the District’s personnel for CY 2013 totaling P245,000.00 without complying the requirements set by the Inter-agency Task Force created under Administrative Order No. 25, dated December 21, 2011.

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

- a. MC No. 2012-01, dated August 13,2012
- b. MC No. 2012-02, dated October 16,2012
- c. MC No. 2012-02 A, dated October 31,2012
- d. MC No. 2012-03, dated November 12,2012
- e. MC No. 2012-04, dated December 7,2012
- f. MC No. 2012-05, dated January 14,2013

Compliance with the criteria and requirements stipulated in the above-cited circulars is a precondition to the grant of the PBB, an agency covered by the Performance-Based Incentive System (PBIS) under E.O. 80, dated July 20, 2012 must fulfill the following:

1. Meet all Good governance Conditions set annually by the AO 25 Task Force: these are:
 - a. The establishment of a Transparency Seal
 - b. Posting of bid notices and awards on the website of the Philippines Government Electronic Procurement System (PhilGEPS)
 - c. Liquidation of all cash advances of officials and employees; and
 - d. Establishment of a Citizen's Charter or its equivalent.
2. Achieve at least 90 percent of each performance target set for the agency.
 - a. Performance targets for their Major Final Outputs (MFOs), Support to Operations (STO) and General Administration and Support (GASS) submitted to congress; and
 - b. Priority Program targets agreed with the president under the five key result Areas (KRAs) of the Aquino Social Contract, under E.O. 43 s. 2011.
3. Rank eligible bureaus (delivery units) and the individuals within them; and
4. Submit accomplishment reports on time

Individual employees who receive a rating of "below satisfactory" under the annual Performance Appraisal system of the Civil Service Commission will not receive any amount under the PBB. Meanwhile, employees in poor Bureaus will not be eligible to receive any amount under the PBB, since their respective bureaus failed to meet the minimum performance criteria.

Verification and review of disbursements of the District disclosed payment of PBB for CY 2013 to all officials and employees at a rate of P7,000.00 each while General Manager received P35,000.00 or a total of P245,000.00. (**Annex C**)

The above payment of PBB was made without first complying the requirements set by the IATF under AO 25, hence, is contrary to under AO No.25, dated December 21, 2011 as implemented under Section 1 of EO No. 80 dated July 20, 2012, which include, among others, the non-establishment of a transparency seal, no posting of bid notices and awards on the websites of PhilGEPS as well as the full liquidation of cash advances at year end. Hence, the disbursement is disallowable in audit.

It also appears on records that the District did not obligate the above payments of prior year's PBB at the end of CY 2013 resulting to overstatement of expenses in CY 2014 and understatement of prior year's expenses.

We recommended and management agreed to strictly comply with the guidelines set by the Inter-Agency Task Force pursuant to AO 25.

- 7. The District granted additional year-end cash incentives to regular and casual employees totaling P310,000.00 without legal basis contrary to DBM Circular letter No. 2009-10 dated October 17, 2003.**

Item 2.0 of DBM Circular letter No. 2009-10 dated October 17, 2003 states:

- “2.1 Unless authorized by law or the President, the grant of additional bonuses in the form of cash, groceries, gift certificates and other goods to officials and employees is strictly prohibited.
- “2.2 Any grant of the above-mentioned bonuses without the approval of the President shall be considered as an ultra vires act and thus constitutes an illegal disbursement of public funds. Anyone violating this directive shall be dealt with in accordance with the applicable provisions of existing administrative and penal laws.”

Verification and review of disbursements of the district disclosed payment of additional year-end cash incentives to regular and casual employees at a rate of P10,000.00 each or a total of P310,000.00 (**Annex D**).

Thus, the granting of these additional incentives to KAPWD officers and employees without legal basis, resulted in the illegal disbursement of government funds.

We recommended and management agreed to ensure that:

- a. The additional year-end bonuses received amounting to P310,000.00 will be refunded immediately and to stop granting additional bonuses without legal basis in the future to avoid disallowance in audit; and**
 - b. Limit the grant of year-end incentives/ bonus equivalent to one month basic pay and cash gift at 5,000 pursuant to DBM Budget Circular No. 2010-1 dated April 28, 2010.**
- 8. The District failed to post invitation or request for price quotation for shopping/small value procurement of supplies and materials to the PhilGEPS website contrary to Section 21.2.1 of the revised IRR of RA 9184.**

For alternative methods of procurement, advertisement and posting as prescribed in Section 21.2.1 of this IRR may be dispensed with: Provided, however, that the BAC, through its Secretariat, shall post the following in the Phil-GEPS website, the website of the procuring entity concerned, if available, and at any

conspicuous place reserved for this purpose in the premises of the procuring entity concerned, if available,:

- (1) the invitation or request for submission of price quotations for (a) shopping (Sec 52.1) (b) and Negotiated Procurement (two-failed biddings and small value procurement) (Sec. 53.1 & 53.9). Posting for a period of seven (7) calendar days.
- (2) the notice of award

Likewise, Section 8.3.1 of the same IRR, states that all procuring entities are mandated to fully use the PhilGEPS in accordance with the policies, rules, regulations, and procedures adopted by the GPPB and embodied in this IRR. They shall register with the PhilGEPS and shall undertake measures to ensure their access to an on-line network for an efficient online transmission and use of electronic data messages and documents. The PS-DBM shall assist them to ensure their online connectivity and help in training their personnel responsible for the operation of the PhilGEPS from their terminals.

During the year, the District procured fittings and water meters, and office supplies through Alternative Methods of Procurement, as shown in **Annex E**

However, verification of disbursements of the District on the purchases made, the following are the deficiencies noted as follows:

1. BAC secretariat did not post the invitation or request for quotation on the Phil-GEPS website.
2. PhilGEPS was not used nor utilized in the procurement activities specifically in the procurement of commonlyused supplies.
3. Posting for Notice of Award to PhilGEPS was not applied in all instances of the Alternative Methods of Procurement.

As a result, the principle of transparency in its procurement process was not achieved due tonon adherence in the implementation for the aforementioned rules and regulations.

We recommended and management agreed to comply with Section 21.2.1 & 8.3.1 of the Revised IRR of RA 9184.

9. The District granted Financial Assistance (Mortuary Aid) in the amount of P70,000.00 to one member of its Board of Directors contrary to Section 1(8) of Administrative Order 103.

Administrative Order 103 dated August 31, 2004 directs the continued adoption of austerity measures. Section 1(8), suspends among others,

“Donations, contributions, grants and gifts, except if said activities are undertaken pursuant to the mandate of the donor-agency;”

Our review of the disbursements disclosed that the District paid ₱70,000.00 as financial assistance for mortuary in favor of one of the BOD who passed away. This was supported by a Board Resolution No. 03, series of 2014 dated August 22, 2014.

The disbursement contradicts with the austerity measures outlined in AO 103, specifically on Section 1, a, 8 which suspends among others the giving out of donations, contributions, grants and gifts, except if said activities are undertaken pursuant to the mandate of the agency making the said disbursements.

We recommended and management agreed to observe prudence in the use of government funds and strictly adhere to the provisions of Administrative Order 103 in observing the austerity measures in government spending.

10. The District continuously maintained its accounts with the 1st Valley Bank without approval from the Department of Finance contrary to DOF Department Order No. 27-05 dated December 9, 2005.

DOF Order No. 27-05 issued on December 9, 2005, a revised guidelines for the deposit and maintenance of government funds with banks under Department Order (DO) No. 32-03.

In addition, Section 5 of COA Circular No. 79-114 dated September 11, 1979 requires that application for authority of private banks to accept deposits from Government and government entities shall be limited. The letter of authority shall fix the terms and conditions for the acceptance of such Government deposits.

Records showed that the District maintain two (2) depository accounts with the 1st Valley Bank of Kapatagan, a private bank, as follows:

1. Combo Account No. 51-19772-1 – for mandatory savings ;
2. Current Account No. 22-0008-5 – deposit of collections and withdrawals/disbursements for the district operating expenses.

By way of convenience, the district maintained these accounts with the 1st Valley Bank which unfortunately was not able to secure approval from the BangkoSentral. Thus, it is clearly a violation of what the regulation provides, that is, to make certain that deposits and maintenance of funds with the private bank comply with the applicable provisions of DOF No. 27-05.

Accordingly, government collections deposited in the private bank must have prior clearance from the DOF in accordance with DOF DO No. 27-05 and COA Circular No. 79-114. Violation will subject the concerned district officials personally liable if and when the 1st Valley Banks suffer financial difficulties.

This is a reiteration of the audit findings embodied in the 2013 AAR.

We recommended that the management strictly comply with DOF Department Order No. 27-05 and COA Circular No. 79-114 to secure prior approval for the deposit and maintenance of government funds with bank other than the LBP and the DBP every year.

Management Comments:

Management has committed to secure approval from the DOF for the deposit and maintenance of government funds with bank other than the LBP and the DBP every yearly and copy furnish the auditor for the said approval.

11. Compliance with the Philippine Development Plan (PDP) for FY 2011-2012 was not guaranteed since the District Corporate Operating Budget (COB) for FY 2014 was not submitted to the Department of Budget and Management (DBM) for review as required under the DBM Corporate Budget Memorandum (CBM) dated December 28,2012.

DBM Corporate Budget Memorandum (CBM) No. 34 dated December 28, 2012 provides for the Policy Guidelines and Procedures in the Preparation and submission of budget proposal for CY 2014.

Under paragraph 6.1 of the same circular provides that all GOCCs/GFIs shall accomplished the prescribed budget forms with specific guidelines indicated in each form.

Xxxx

6.3 The FY 2013 portion/column of the FY 2014 Budget Proposal under this CBM 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 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 – F, 4th Floor, Boncodin Hall, General Solano Street, San Miguel, Manila or or before April 15, 2013.

The above-cited DBM 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 PDP for FYs 2011-2016 which include the following key result areas;

- Transparent, improve accountability and participatory governance;
- Poverty reduction and empowerment of the poor and vulnerable;
- Rapid, inclusive, and sustained economic growth;
- Just and lasting peace and the rule of law; and
- Integrity of the environment and climate change adaptation and mitigation

The agency is mandated to deliver a good Major Final Output (MFO) to external clients through the implementation of programs, activities and projects (PAPs) that are aligned with the KRAs under E.O. 43 to ensure greater efficiency and value for money in spending government resources. It is also tasked to establish results-based monitoring and reporting systems to review and report their progress using the MFO performance indicators and targets indicated in their approved budget.

As indicated in the PDP Matrix, the Local Water Districts (LWDs) shall implement PAPs geared towards Sector Outcome 5b or Access to social goods and improved services towards quality, adequacy and accessibility of infrastructure facilities and services enhanced with the following indicators:

- Millennium Development Goal (MDG) Target: Increase the proportion of population with access to potable water (Levels I & II)
- MDG Target: Eliminate the number of waterless area
- Increase the percentage of households with level III (Individual Household connection)
- Increase the percentage of households with 24/7 service (Concessionaires, WDs, small scale independent providers)
- Reduce non-revenue water (NRW) – by type of Water Service Provider (Concessionaires, WDs, small scale independent providers)
- Lessen the gap between demand and supply
- On sanitation, sewerage, septage:
 - MDG Target: Increase percentage of population with access to basic sanitation (i.e. sanitary toilets, washing areas, etc.)
 - Increase percentage of households in Highly urbanized cities connected to the sewerage system
 - Increase percentage of households covered by septage management system

The approved budget of KAPWD for FY 2014 was prepared in accordance with DBM Corporate Budget Memorandum No. 34; however, since the budget proposal was not submitted for review, there was no guarantee that it conformed to the targets and MFOs to the President's KRAs. The budget was not examined for deficiencies; hence, no advise was given for the district to make the necessary adjustments.

Management explained that there was no instructions from LWUA requiring the district to submit the COB.

We recommended and management agreed to submit the COB to the DBM punctually as required by the DBM CBM 34 or the Policy Guidelines and Procedures in the Preparation and Submission of the FY 2014 Budget Proposals for COA to be able to monitor and evaluate the accuracy of the agency's reported performance against its approved targets aligned with MFOs, KRAs, and sector outcomes in the PDP Results Matrices; the Budget Officer to furnish COA the Annual Budget supported with complete documents every year thereafter.

12. The District did not appropriate funds for the Disaster Risk Reduction and Management (DRRM) System, contrary to RA 10121, or the Philippine Disaster Risk Reduction and Management Act of 2010 .

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.

DRRM System as embodied in RA No. 10121, aims to ensure that government agencies and LGUs give top priority and take sufficient and in disaster risk reduction and management. The act provides for the development of policies and plans and the implementation of actions and measures pertaining to all aspects of DRRM. These measures include good governance, risk assessment and early warning knowledge building and awareness raising, reducing underlying risk factors, and preparedness for effective response and early recovery.

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 NDRRM Council in coordination with the DBM.

Review of the COB showed that no funds were appropriated for DRRM. The said budget does not also include activities of such a nature as to address concerns of disaster risk reduction and management.

The District's failure to appropriate funds for disaster risk reduction and management deprived its employees of the benefits that the Government has provided to address the risk brought by geophysical phenomena and man-made disasters. Presently, the District has not given it top priority and therefore lacks the capacity for disaster preparedness.

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

13. The District did not prepare Gender and Development (GAD) plan and activities while the appropriated budget was below the 5% of the agency's total budget as mandated under Section 33 of CY 2014 GAA and PCW-NEDA-DBM Joint Circular No. 2012-01.

Section 33 of GAA of CY 2014 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 9710 or 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).

Meanwhile, PCW-NEDA-DBM Joint Circular No. 2012-01 also provides for the preparation of the 2014 GAD Plan and Budget (GPB). In addition, No. 4 of the same Circular allows the attribution to the GAD budget of a portion of the annual budget of agencies' major programs, to promote the gender responsiveness of programs, and also enable them to approximate or exceed the 5% GAD budget requirement.

Review of the FY 2014 district COB of P31,572,025.21 showed that only P100,000.00 was appropriated for GAD related projects. It was evident that the funding requirement of at least 5% for GAD in the estimated amount of P1,578,601 based on the approved total appropriation of the district was not followed or a short difference of P1,478,601. The allocated amount of P100,000 is very much lower in comparison with what should be budgeted for the purpose. This could result to limited programs or projects thus, depriving the desired recipients of the optimum benefits that could have been delivered from such activities.

In addition, the absence of the required GAD Plan, based on gender issues and concerns of their respective sector/employees formulated at the beginning of the year to attain their targeted goals could result to inefficient and ineffective implementation of the projects, programs or activities as against their progress or accomplishment reports. Hence, the degree of their performance could not be properly measured and/or evaluated.

This is a reiteration of the audit findings embodied in the 2013 AAR.

We recommended and management agreed to:

- a. Prepare GAD Plan every year designed to address gender issues;**
- b. Appropriate funds equivalent to 5% budgetary appropriation for GAD; and**
- c. Abide by the requirement of DBM, NEDA and NCRFW Joint Circular No. 2004-1 in formulating GADs Plan. The GAD Plan should comprise programs, projects and activities that will address**

existing and future potential gender issues. Prioritize GAD as a dynamic, modern and international concept.

- d. Designate GAD focal person which serves as the technical working group whose task is to facilitate the preparation of District GAD plan, catalyze, coordinate, provide directions and monitor the program/projects on gender and development concerns of the District.

VALUE FOR MONEY AUDIT

14. The District failed to implement the necessary control measures to mitigate the unaccounted water loss of 548,126 cubic meter equivalent to 34.43% (average) of the total water production which is far beyond the tolerable allowance of 20% water loss of LWUA.

The LWUA Board of Trustees Resolution No. 444, series of 2009 issued Memorandum Circular No. 004.10 dated February 23, 2010 which provides to all Water Districts setting a maximum acceptable level of Non-Revenue Water (NRW) to 20% to further improve efficiency. In fact, the criteria for approval of financial assistance, water rate adjustments and performance evaluation of water districts shall include this requirement.

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

Month Produced	Underground Spring water production	Billed Water Consumption	Unaccounted Cubic Meter	Percentage
January	140,800	88,667	52,223	37.09%
February	135,579	81,145	54,434	40.15%
March	122,064	76,132	45,932	37.63%
April	136,478	86,440	50,038	36.66%
May	135,904	87,427	48,477	35.67%
June	137,719	88,551	49,168	35.70%
July	131,519.50	86,894	44,626	33.93%
August	135,990.50	91,249	44,742	32.90%
September	135,747.44	91,109	44,638	32.88%
October	125,383.56	84,440	40,944	32.65%
November	130,976.02	88,228	42,748	32.63%
December	119,191.98	89,035	30,156	25.30%
Total	1,587,443	1,039,317	548,126	34.43%

Based on the 2014 unaccounted water loss data, it showed that the district has some success in curving water resource wastage from May up to September and December 2014. However, 34.43% YTD is still far from the acceptable maximum level of non-revenue water of 20%. The 548,126 cu m unaccounted water resource

wastage translates to a reduced efficiency level of KAPWD operation which significantly affects its profitability

Ocular inspection conducted by the District and the audit team, showed only one(1) water source – the cathedral underground springwater located in Cathedral, Kapatagan , a 15 km barrio from Poblacion. No defective meters nor indication of leaks were noted along its transmission pipelines, but this is only a portion of the network of water sourcing and supply of the district.

Management confirmed that leakages has been a constant problem of the District caused by leaks inthe abandoned old transmission lines, defective pipes, illegal tapping and pipes not adapted to sustain water pressure and gradual replacement and maintenance of worn-out parts.

We recommended that the management initiate control measures to address and minimize the non-revenue water to improve delivery of services and ultimately increase its revenue.

Management comment:

Management has started the Non-Revenue Water (NRW) Reduction Program to improve the District profitability. The ongoing programs are the following:

1. Regular audit and change of defective meters that has been started in June 2014.
2. Clustering of the meters that has been implemented last February 2014.
3. Regular house to house inspection to eliminate illegal connections. This has been implemented January 2015.

COMPLIANCE WITH TAX LAWS AND REGULATIONS

The Management as a withholding agent of the Bureau of Internal Revenue fully complied with BIR Regulations on withholding of taxes. They remitted the value added and expanded withholding tax for the supplies and materials, equipment and services it procured and taxes withheld on compensation for Calendar Year 2014 in the total amount of P1,165,162.12 to the government in accordance with the BIR Regulations.

SUSPENSIONS, DISALLOWANCES AND CHARGES

Disallowances in the total amount P2,568,000.00 representing prior years accounts P2,252,500 and CY2014 transactions of P315,500. Suspensions were also issued in the amount of P245,000.00 to the district for CY 2014. (**Annex F**)

PART III –

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

**PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR'S
AUDIT RECOMMENDATIONS**

Audit Observation	Recommendation	Ref	Status of Implementation	Auditor's Validation Results
<p>1. Cash advances were granted and utilized to officers and employees of the district in the procurement of equipment, spare parts and office supplies amounting to P269,291.03 which caused undue disadvantage to the government and non-adherence with the provision of COA Circular No. 97-002 dated February 10, 1997.</p>	<p>a) To strengthen its internal control on accounting and cash management by paying the transaction in check to the individual supplier.</p> <p>b) Ensure the guidelines in granting and utilization of cash advances for a legally specific purpose and in consonance with the provisions of COA Circular No. 97-002 to obtain a sound management operation.</p>	<p>AAR 2013 Part 2</p>	<p>Implemented</p>	<p>The management complied as recommended ensured that guidelines for granting and use of cash advances for a legally specific purpose and that is in consonance with COA rules and regulations are properly observed.</p>
<p>2. The grant of benefits and allowances to BOD of the district totaling P450,000.00 was deemed irregular due to lack of adequate legal basis.</p>	<p>a) Request all receipts to refund the full amount received being without legal basis for the payment hereof;</p> <p>b) Stop granting allowances and other fringe benefits to its BOD without legal basis to preclude disallowances in audit.</p>	<p>AAR 2013 Part 2</p>	<p>Not Implemented</p>	<p>During the year, the district had granted PBB to the BOD without legal basis, thus it was reiterated in part 3 of this report as finding no. 5.</p>

<p>3. The rate of per diems paid to the BOD effective April, 2012 was not in accordance with the prescribed rate set by the LWUA, thereby resulting in an overpayment which when computed totaled P609,750.00 for CY 2013.</p>	<p>c) Henceforth, strictly observe laws, rules, and regulations governing the disbursements of government funds to protect its interest.</p> <p>Require the concerned officers to refund the excess per diems claimed in the amount of P609,750.00 on or before April 30, 2013.</p>	<p>AAR 2013 Part 2</p>	<p>Implemented</p>	<p>The management observed and complied as recommended to use the prescribed rate set by the LWUA on the per diems of the BOD to avoid overpayment.</p>
<p>4. The district maintained additional bank accounts to serve as mandatory savings for GF contrary to NGAs One Fund Concept. The additional bank accounts created additional burden in the recording of financial accounts of the districts.</p>	<p>Discontinue the practice of maintaining additional bank account since the practice is inconsistent with the NGAs Manual, Volume I. Close bank accounts that contribute in the duplication of districts transactions to strengthen internal control.</p>	<p>AAR 2013 Part 2</p>	<p>Not Implemented</p>	<p>Contrary to the recommendation of closing the additional bank account to avoid duplication of the district transactions, the bank account for mandatory savings is still active.</p>
<p>5. The district have adopted the other modes of procurement such</p>	<p>a) Ensure that all procurements of the district should be</p>	<p>AAR 2013 Part 2</p>	<p>Not Implemented</p>	<p>The district continues to use credit and shopping in the</p>

<p>as repeat order thru credit and shopping in the procurement of goods which is not in conformity with Revised IRR of the Government Reform Procurement Law.</p>	<p>through competitive public bidding as required in Section 10 Article IV of RA 9184 and shopping should only be an alternative mode if the situation calls for it, Further, all procurement during the year should be in accordance with approved APP and based on this plan schedule the bidding of all supplies, materials and construction materials;</p> <p>b) The BAC shall recommend to the head of the agency the use of alternative methods through a resolution;</p> <p>c) Observed the regulations on repeat order that the quantity should not exceed 25% from the original purchased; and</p> <p>d) Strictly adhere to the provisions of RA 9184 in the procurement of equipment and materials and attach pertinent</p>			<p>purchase of goods. The district justified that their only source of income is the water sales and that their resources is limited.</p>
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<p>6. Due to Other NGA's account in the total amount P280,000.00 as of December 31, 2013 with past due status of more than five years has remained outstanding at year end.</p>	<p>supporting documents to the disbursement voucher</p> <p>Provide appropriate appropriation and ensure that current obligations or liabilities are given priority.</p>	<p>AAR 2013 Part 2</p>	<p>Implemented</p>	<p>Appropriate appropriations were made and payment to current obligations/liabilities were done.</p>
<p>7. The District failed to prepare the prescribed form of the APP thereby the milestone is not indicated which is not in conformity with Section 7.2, Article II of RA 9184.</p>	<p>a) Develop an overall plan for the procurement of goods, taking into consideration the objective to be accomplished and its financial capability.</p> <p>b) Instruct the Property Officer to prepare the prescribed form of APP together he Project Procurement Management Plan.</p>	<p>AAR 2013 Part 2</p>	<p>Implemented</p>	<p>The management complied as recommended and has prepared and submitted the APP.</p>
<p>8. Expenses incurred on some accounts of the District for CY 2013 totaling P521,239.74 exceeded its appropriation for</p>	<p>a) Stop the practice of processing expense for payment without available budget;</p> <p>b) Instruct the Accounting Processor A,</p>	<p>AAR 2013 Part 2</p>	<p>Implemented</p>	<p>The management observed /complied as recommended that all expenses for payment</p>

<p>the year in violation of Section 4 of PD 1445.</p>	<p>who was also designed as Budget Officer, to prepare the required Budget Utilization Worksheet for proper control of appropriations.</p> <p>c) Segregate the function of the Accounting Section from Budgeting Section to protect the interest of the district in case of manipulation.</p> <p>d) Strictly adhere to the provisions of RA 9184 in the procurement of equipment and materials and attach pertinent supporting documents to the disbursement voucher</p>			<p>should be within the corporate budget.</p>
<p>9. The Cashier handled the teller function of the district in violation of internal accounting control principle.</p>	<p>a) Separate the functions of the Cashier from Teller functions to ensure that an effective check and balance exist.</p> <p>b) Create a position for teller or assign somebody to handle the Teller function.</p>	<p>AAR 2013 Part 2</p>	<p>Implemented</p>	<p>The management hired an additional personnel to perform the functions of the teller which is separate from the functions of the Cashier handled by another person.</p>

<p>10. The accrual of liability for the earned leave benefits (ELB) of the employees totaling P1,876,349.65 as of December 31, 2013 was not provided by the district, hence employee's benefits were not properly accounted for and disclosed in the Financial Statements, resulting to understatement of liability, overstatement of government equity and overstatement of net income.</p>	<p>a) Include in the Budget every year the appropriation for the accrued payable on terminal leave benefits (TLB) earned by each employee. This is to ensure that employees' benefits are properly accounted for and disclosed in the FS.</p> <p>b) Instruct the Accounting Section to make the necessary adjusting entries to record the accrued liability pertaining to the ELB of the employees after ensuring the correctness of the accumulated leave credit balances of employees as of December 31, 2014.</p> <p>c) Set-up a special fund equivalent to the balance of the pensions and benefits reserve account for the accrued earned leave employees to defray expenses of employees'</p>	<p>AAR 2013 Part 2</p>	<p>Implemented</p>	<p>The district had set-up and maintained a special fund specific for the accrued earned leave benefits of the employees.</p>
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	<p>pensions and benefits in the future.</p> <p>d) Suggested adjusting entries to recognized accrued payable on TLB earned by each employee per year of the district:</p> <p><u>Account</u> <u>Title</u> <u>DR</u> <u>CR</u></p> <p>Operation/Maintenance Expenses</p> <p>Xx (Earned Leave Expenses) Pension and Benefits Reserve xx</p> <p>To set up accrued payable TLB earned by each employee per year.</p> <p>e) Suggested entry every time an employee is paid monetization leave within the year:</p> <p><u>Account</u> <u>Title</u><u>DR</u><u>CR</u></p> <p>Pension and Benefits Reserve xx Cash in Bank xx</p> <p>To record payment of monetization</p>			
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<p>11. Payments out of the Petty Cash Fund (PCF) totaling P164,964.96 were not supported with the documentary requirements and recording were not updated daily which might result to misuse of funds.</p> <p>12. All purchases of commonly used supplies totaling P631,842.21, were not made through Procurement Services (PS) of the DBM as required in AO No. 17 but instead all were done through shopping or direct contracting without the BAC's recommendations to adopt these alternative modes of procurement in violation of RA 9184 thereby not helping the government owned institution.</p>	<p>leave of district employee.</p> <p>a. Petty Cash Custodian (PCC) properly review the completeness of receipts/documents and shall record/update daily the disbursements in the PCF report.</p> <p>b. Petty cash vouchers should not be released if not properly approved by the immediate supervisor.</p> <p>a. Prepare a BAC Resolution indicating the mode of procurement to be recommended for approval by the Head of Procuring Entity (HOPE) in each procurement activity.</p> <p>b. For goods to be purchased but not available in the PS-DBM, secure a certification from that unit that requisitioned goods are not available before recommending other alternative modes of procurement.</p> <p>c. Prepare the APP for the commonly used supplies and submit to the PS-</p>	<p>AAR 2013 Part 2</p> <p>AAR 2013 Part 2</p>	<p>Partially Implemented</p> <p>Partially Implemented</p>	<p>There were some transactions out of the PCF that were not supported with the required documents. The PCC was served a notice of suspension directing him to comply with the necessary supporting documents.</p> <p>Management continues to procure supplies that were not made through the PS-DBM.</p>
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	<p>DBM at the start of the year.</p> <p>d. Personnel involved in the procurement process should attend seminar-workshop on RA 9184 for an efficient and effective implementation thereof.</p>			
<p>13. Monetization of accumulated vacation leave credits in excess of the minimum 10 days were granted to district officer and employees in the absence of a duly approved letter-request contrary to the provisions of COA Circular No. 2012-001 dated June 14, 2012.</p>	<p>Payment of accumulated leave credits in excess of the 10 days to maximum of 30 days in a year shall be supported with a letter-request of the employees and approved by the head of the agency aside from the approved application for monetization of leave pursuant to the provisions of COA Circular No. 2012-001.</p>	<p>AAR 2013 Part 2</p>	<p>Implemented</p>	<p>The District had a special fund purposely for the ELB of the employees.</p>
<p>14. The Management failed to settle the Disallowances in the amount of P1,192,750.00 for the prior year audit disallowances.</p>	<p>a. Exert effort to cause the settlement of audit disallowance. Settlement of audit disallowances can be immediately enforced by withholding the salaries or other claims due to the persons liable, in satisfaction of the amounts disallowed or charged.</p>	<p>AAR 2013 Part 2</p>	<p>Not Implemented</p>	<p>The management has not settled the issued disallowances and this was reiterated as finding No. 15 in part 3 of the report.</p>

	<p>Employ legal remedies to ensure the settlement of the liabilities of those officials and employees who are already separated from the government service.</p> <p>b. Further, act upon the disallowances within the required timelines.</p>			
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PART IV - ANNEXES

<u>ANNEX</u>	<u>TITLE</u>
A	- Summary of Purchases of Supplies and Materials for CY 2014 recorded as outright expense
B	- Summary of Expenses for CY 2013 improperly charged to CY 2014
C	- Summary of payment of Performance Based Bonus (PPB) to Officers and Employees of the District for CY 2013
D	- Summary of Payment for Additional incentives Bonus to Officer and Employees for CY 2014
E	- Summary of Purchases of Materials & Equipment not posted in the Philgeps
F	- Summary of Disallowances Issued as of December 31, 2014

KAPATAGAN WATER DISTRICT
Kapatagan Lanao del Norte
(GOCC)

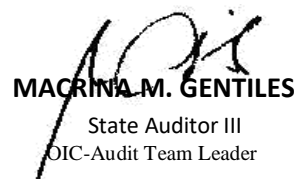
SUMMARY OF PURCHASE OFFICE SUPPLIES & MATERIALS RECORDED AS OUTRIGHT EXPENSE
For CY 2014

DATE	CHECK NO.	DISBURSEMENT NO.	PAYEE	PARTICULAR	AMOUNT
2-Jan-14	0955217	2014-01-0001	Mabuhay Vinyl	Payment of 8drums sodium hypochlorine	11,492.14
2-Jan-14	0955218	2014-01-0002	Sonjay	Payment of ink	17,859.38
2-Jan-14	0955231	2014-01-0015	Real Computer	Payment of billing statement & pump operators logbook (SCR# 515)	65,625.00
17-Jan-14	0955513	2014-01-0046	Sonjay	Payment of ink	17,859.38
3-Mar-14	0956246	2014-03-0126	Sonjay	Payment of computer ink	21,492.19
3-Mar-14	0956246	2014-03-0126	Sonjay	Payment of computer ink	21,492.19
3-Mar-14	0956249	2014-03-0128	Mabuhay Vinyl	Payment of 8drums sodium hypochlorite	11,492.14
1-Apr-14	0957626	2014-04-0201	Mabuhay Vinyl	Payment of 8drums sodium hypochlorite	11,492.14
1-Apr-14	0957627	2014-04-0202	Sonjay	Payment of computer ink	21,492.19
21-Apr-14	0958114	2014-04-0239	Mabuhay Vinyl	Payment of 8drums sodium hypochlorite	11,492.14
12-May-14	0958564	2014-05-0286	Mabuhay Vinyl	Payment of 8drums hypochlorite	11,492.14
28-May-14	0958595	2014-05-0318	Real Computer	Payment of pump operator's logbook	4,687.50
3-Jun-14	0959183	2014-06-0356	Mabuhay Vinyl	Payment of 8drums sodium hypochlorite	11,492.14
16-Jun-14	0959197	2014-06-0368	Grace hollowblocks Ma	Payment of 2pcs RCPC #36 for septic tank at R2	4,250.00
17-Jun-14	0959604	2014-06-0375	E & A Marketing	Payment of water pump accessories (outlet hose & suction hose)	5,653.13
17-Jun-14	0959606	2014-06-0376	Honda Des Appliance	Payment of 1 unit water pump (Honda) made in Japan model: WB30XT DR 4.8hp	13,164.37
7-Jul-14	1015523	2014-07-0441	Real Computer	Payment of pump operators logbook, record book & cash book	17,812.50
24-Jul-14	1015201	2014-07-0468	Sonjay	Payment of computer ink	8,109.38
24-Jul-14	1015204	2014-07-0471	Mabuhay Vinyl	Full payment of 8drums sodium hypochlorite received on credits	11,492.14
4-Aug-14	1015224	2014-08-0490	Sonjay	Payment of 1 unit UPS for billing system	12,980.00
Grand Total					312,922.19

Prepared by:


MERIAM
S. DECIERDO
State Auditor II
Audit Team Member

Reviewed by:


MACRINA M. GENTILES
State Auditor III
OIC-Audit Team Leader

KAPATAGAN WATER DISTRICT

Kapatagan, Lanao del Norte

(GOCC)

Summary for CY 2013 expenses paid and charge to Current Yyear Budget

DATE	CHECK #	DV #	PAYEE	PARTICULARS	AMOUNT
3-Feb-14	0955530	2014-02-0063	L. Simeon, et.al	Pymnt of overtime for regular & casual employees for Dec. 1-15, 2013	30,623.07
3-Feb-14	0955531	2014-02-0064	L. Simeon, et.al	Pymnt of overtime for regular & casual employees for Dec. 16-31, 2013	67,202.41
3-Feb-14	0955534	2014-02-0067	FSWT	Payment of materials for Butadon expansion	28,657.50
3-Feb-14	0955548	2014-02-0080	Engr. Manatom, Jr.	C/a for add'l overtime of casual employees for Dec. 1-15, 2013	11,624.54
1-Apr-14	'0957622	2014-04-0197	Solarcom Mktg	Payment of 1unit handheld radio versa P-800 issued to Engr. Manatom, Jr.	7,031.25
1-Apr-14	'0957623	2014-04-0198	Solarcom Mktg	Payment of 2pcs handheld radio versa P-800	14,062.50
9-Jan-14	0955249	2014-01-0033	L. Simeon, et.al	C/a for BOD's Performance Based Bonus & GM Rañises	255,500.00
9-Jan-14	0955247	2014-01-0031	L. Simeon, et.al	C/a for Performance Based Bonus of regular employees	147,000.00
9-Jan-14	0955248	2014-01-0032	L. Simeon, et.al	C/a for Performance Based Bonus of casual employees	63,000.00
TOTAL					594,078.20

Prepared by:


MACRINA M. GENTILES

State Auditor III

OIC-Audit Team Leader

KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte
Summary of Productivity Based Bonus Granted to Officers & Employees
CY 2014

DATE	Payroll No.	PAYEE	PARTICULAR	Amount Received
Jan. 9, 2014	2014-01-0031	L. Simeon, et.al	Pymnt of Performance Based Bonus for regular employees	147,000
	2014-01-0032	Engr. Wilson Ocampus et.al	Pymnt of Performance Based Bonus for casual employees	63,000
	2014-01-0033	GM Rañises	C/a for BOD's Performance Based Bonus & GM Rañises	35,000.00
TOTAL				245,000


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KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte
Summary of Additional Allowances and Benefits Granted to Officers & Employees
For CY 2014

DATE	Payroll No.	CHECK NO.	PAYEE	PARTICULAR	Amount Received
DEC.11,2014	2014-12-0766	1019718	L. Simeon, et. al	Pymnt of Performance Incentive Bonus for regular employees	270,000.00
	2014-12-0767	1019717	Marlon Adolfo, et al	Pymnt of Performance Incentive Bonus for casual employees	40,000.00
TOTAL					310,000.00

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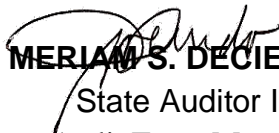
KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte
(GOCC)
SCHEDULE OF PROCURED MATERIALS & EQUIPMENT
For CY 2014

CHECK		DV No.	PAYEE	NATURE OF PAYMENT	AMOUNT
Date	No.				
1/2/2014	0955220	2014-01-0004	FSWT	Payment of materials (SI# 2213)	P97,255.78
2/3/2014	0955533	2014-02-0066	FSWT	Payment of flow meter for replacement of defective flow meter	26,471.25
2/3/2014	0955534	2014-02-0067	FSWT	Payment of materials for Butadon expansion	28,657.50
2/3/2014	0955535	2014-02-0068	Jhaycor	Payment of materials for repairs & maint. OF SVC installation of new SVC	221,560.41
2/3/2014	0955550	2014-02-0082	Solarcom Mktg.	Payment of 4 units handheld radio	28,593.75
2/7/2014	0956206	2014-02-0088	FSWT	Partial payment of materials for repairs & maint. OF SVC & install'n of new SVC	172,209.14
3/3/2014	0956852	2014-03-0131	Jhaycor	Payment of 90pcs. PVC pipes 2" for expansion of San Vicente	59,999.00
3/3/2014	0956853	2014-03-0132	MRM Trading	Payment of materials for expansion to purok 4 San Vicente	39,224.06
3/3/2014	0956854	2014-03-0133	MRM Trading	Payment of 2 units CI gate value 6" for replacement of defective gate value & Ispare	43,125.00
3/3/2014	0956855	2014-03-0134	SolarcomMktg	Payment of 2units hand held radio and 4pcs battery pack	21,375.00
3/3/2014	0956864	2014-03-0141	FSWT	Partial payment of materials	93,750.00
4/1/2014	0957623	2014-04-0198	SolarcomMktg	Payment of 2pcs hand held radio versa P-800	14,062.50
4/1/2014	0957624	2014-04-0199	Lanao computer	Payment of 1unit EPSON L110 printer as replacement of damage printer of SPE	6,000.00
4/1/2014	0957628	2014-04-0203	Pall Rocess	Payment of chlorinator parts as replacement of defective chlorinator	99,787.50
4/1/2014	0957630	2014-04-0205	Jhaycor	Payment of 50pcs UPVC pipes 2" as spare for transmission & distribution line	39,518.44
4/1/2014	0957631	2014-04-0206	MRM Empire Trading	Payment of materials used for maintenance & improvements of all service areas	106,272.66
4/1/2014	0957632	2014-04-0207	SGL Coolconcept Enterprise	Payment of 1pc compressor to replace damage compressor of KAPWD OFFICE AIRCON	19,687.50
4/8/2014	0957645	2014-04-0220	SGL Coolconcept Enterprise	Payment of materials used for maintenance & damage compressor of GMR OFFICE AIRCON	14,531.25
4/21/2014	0958115	2014-04-0240	FSWT	Partial payment of materials	46,875.00
4/21/2014	0958120	2014-04-0244	MRM Empire Trading	Payment of materials used for new SVC	56,566.40
5/2/2014	0958140	2014-05-0264	MRM Empire	Payment of materials used for add fire	63,557.80

CHECK		DV No.	PAYEE	NATURE OF PAYMENT	AMOUNT
Date	No.				
			Trading	hydrant to national hi-way, Maranding	
5/7/2014	0958554	2014-05-0276	Lanao computer Sales	Payment of 1unit Epson L210 printer –replacement of LBS printer	7,995.00
5/14/2014	0958570	2014-05-0292	MRM Empire Trading	Payment of CI gate Value 50mm mechanical & CI Transition Coupling 2”	29,046.09
5/14/2014	0958571	2014-05-0293	AVK	Payment of air release value used for 20,30,40hp flow meters at pumphouse	107,424.00
5/28/2014	0958598	2014-05-0320	Unifield Ent. Inc.	Payment of 1unit “Badger” Meter tester	140,625.00
6/2/2014	0959159	2014-06-0331	FSWT	4 th payment of materials for transmission & distri. Lines	46,875.00
6/2/2014	0959159	2014-06-0329	JPT	Payment of materials, oil, fuel filter for gen. set acetelane set	40,856.25
6/3/2014	0959170	2014-06-0339	JHAYCOR	Pament of materials for new SVC	37,755.00
6/3/2014	0959177	2014-06-0346	Lanao Computer.Sales	Payment of one unit AcerLaptop	30,100.00
06/3/2014	0959171	2014-06-0340	MRM EmpireT	Payment of materials for new SVC	72,840.63
06/3/2014	0959177				
6/3/2014	0959172	2014-06-0341	MRM EmpireT	Payment of brass ball valve	16,406.25
6/17/2014	0959601	2014-06-0368	MRM EmpireT	Payment of 1pc. Water meter used for service connetion	1,589.06
6/17/2014	0959604	2014-06-0371	E & A Marktng	Payment of water pump accessories (Outlet hose & suction hose)	5,653.13
7/1/2014	0959634	2014-07-0404	Lanao Computer Sales	Payment of one unit Epson L1110 printer as replacement of damage printer	6,000.00
	0959642	2014-070411	MRM Empire	Payment for materials for maintenance of mainline Butadon & spare for all service area	97,138.13
7/07/2014	1015523	2014-070442	Real Computer	Payment fo pump operators logbook, record book & cashbook	17,812.50
7/17/2014	1015536	2014-07-0454	FSWT	Payment of foot valve as spre for 20, 30, 40 HP pump at pump house	37,668.75
7/24/2014	1015201	2014-07-0468	Sonjay	Payment of computer ink	8,109.38
	1015202	2014-07-0469	Sonjay	Pay ment of 1 unit Epson FX 2175 printer as space printer for billing	22,500.00
	1015204	2014-07-0471	Mabuhay Vinyl	Full payment of 8 drums sodium hypochlorine received on credits	11,492.14
	1015205	2014-07-0472	FSWT	Full payment of materials received on credits	46,875.00
8/04/2014	1015220	2014-08-0486	MRM Empire Traning	Payment of materials for new SVC & transmission lines	176,076.55
	1015224	2014-08-0490	Sonjay	Payment of 1 unit UPS for billing system	12,980.00
8/12/2014	1015243	2014-08-0509	JPT Repair Shop	Payment of materials ,oil, fuel filter, acetylane etc. for R1 bodega repair	131,418.75
8/15/2014	1015250	2014-08-0516	FWST	Payment of rubber oring for transition coupling	6,468.75
	1016751	2014-08-0517	FSWT	Payment of Ridgid alloy pipes for	11,812.50

CHECK		DV No.	PAYEE	NATURE OF PAYMENT	AMOUNT
Date	No.				
				space tools	
	1016752	2014-08-0518	New Datche	Payment of toner for refill to Toshiba Xerox machine	2,906.25
	1016754	2014-08-0519	Mabuhay Vinyl	Partial payment of 8drums sodium chlorine	11,492.14
	1016755	2014-08-0520	Jhaycor	Payment of materials for reheb of 8inch pipes along San Vicente mainline	80,451.56
8/19/2014	1016767	2014-08-0532	Lanao Computers	Payment of 2pcs UPS & 1pc computer chair	5,400.00
9/01/2014	1016778	2014-09-0542	Jhaycor	Full payment of materials for rehab of 8" pipes along San Vicente Mainline	357,148.57
9/15/2014	1017171	2014-09-0581	Real Computer	Payment of office supplies	8,812.50
9/18/2014	1017181	2014-09-0591	MRM Empire Training	Partial payment of materials for new SVC & other repairs & maint of transmission lines	93,750.00
10/01/2014	1017196	2014-10-0630	Jhaycor	Partial payment of materials used for SVC & clustering	93,750.00
	1018255	2014-10-0611	Lanao Computer Sales	Payment of 1unit Epson L110 printer for J. Sumapig	5,995.00
	1018257	2014-10-0613	MRM Empire Training	Full payment of materials used for new SVC & transmission lines	112,312.50
11/03/2014	1018814		Jhaycor	Full payment of materials for svc & clustering	78,825.00
	1018816		Sonjay	Payment of genuine computer inks	13,500.00
	1018827		MRM Empire Training	Payment of materials for maintenance & installation of cluster post	104,467.97

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SUMMARY OF DISALLOWANCES ISSUED
Kapatagan Water District
As of December 31 , 2014

Date	Number	Payee/Payor	Amount			Outstanding Balance
			Disallowed	Charged	Settled	
February 1, 2014	2014-001-101 (2013)	Cheriebelle T. Devaras	32,250.00			32,250.00
		Angelita P. Robles	115,500.00			115,500.00
		Enrico P. Eya	115,500.00			115,500.00
		Raul C. Carreon, Sr.	115,500.00			115,500.00
		Jimmy D. Pamotongay	115,500.00			115,500.00
		Lito P. Castellano	115,500.00			115,500.00
		sub-total	609,750.00			609,750.00
February 1, 2014	2014-002-101 (2013)	Angelita P. Robles	90,000.00			90,000.00
		Enrico P. Eya	90,000.00			90,000.00
		Raul C. Carreon, Sr.	90,000.00			90,000.00
		Jimmy D. Pamotongay	90,000.00			90,000.00
		Lito P. Castellano	90,000.00			90,000.00
		sub-total	450,000.00			450,000.00
June 12, 2014	2013-001-101(2012)	Cheriebelle T. Devaras	64,000.00			64,000.00
		Angelita P. Robles	134,250.00			134,250.00

		Enrico P. Eya	134,250.00		134,250.00
		Raul C. Carreon, Sr.	134,250.00		134,250.00
		Jimmy D. Pamotongay	134,250.00		134,250.00
		Lito P. Castellano	134,250.00		134,250.00
		sub-total	735,250.00		735,250.00
June 12, 2014	2013-002-101(2012)	Angelita P. Robles	91,500.00		91,500.00
		Enrico P. Eya	91,500.00		91,500.00
		Raul C. Carreon, Sr.	91,500.00		91,500.00
		Jimmy D. Pamotongay	91,500.00		91,500.00
		Lito P. Castellano	91,500.00		91,500.00
		sub-total	457,500.00		457,500.00
January 9, 2015	15-001-101(14)	Angelita P. Robles	49,100.00		49,100.00
		Enrico P. Eya	49,100.00		49,100.00
		Raul C. Carreon, Sr.	49,100.00		49,100.00
		Jimmy D. Pamotongay	49,100.00		49,100.00
		Lito P. Castellano	49,100.00		49,100.00
January 9, 2015	15-001-101(14)	L. Pamotongan	70,000.00		70,000.00
			315,500.00		315,500.00
GRAND TOTAL			2,568,000.00		2,568,000.00

Prepared by:


MACRINA M. GENTILES
 State Auditor III
 OIC-Audit Team Leader