

Audit Observations (CY 2009)	Recommendations	Ref	Management Action	Status of Impleme ntation	Reason for Partial/Non- Implementation
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<p>Erroneous Classification of Payable Accounts</p> <p>7. Of the P3,510,408.33 balance as of December 31, 2009, a total of P184,908.53 was erroneously classified as Due to Other NGAs instead of as Due to LGUs and Accounts Payable thus incorrect balances of said accounts were reported in the financial statements as at year-end.</p>	<p>Direct the City Accountant to conduct an in depth review of the account Due to LGUs and prepare the necessary adjusting/ reclassifying entries to reflect the accurate balance of the account, viz:</p> <p>Due to Other NGAS DR P 184,908.53</p> <p>Due to LGUs CR P75,000.00 Other Payables CR 109,908.53</p> <p><i>To record reclassification of account.</i></p>		Implemented	100% implemented.	
<p>Dormant Other Receivables Account</p> <p>8. Despite previous recommendation to avail of the mechanisms provided in COA Circular No. 97-001 dated February 5, 1997 for the write off of dormant accounts, Other Receivables amounting to P271,910.39 which have been dormant or non-moving for more than five years remained unadjusted and unacted upon, resulting in the</p>	<p>We reiterate our recommendation to direct the City Accountant to initiate the writing off of dormant accounts by following the procedures enumerated in COA Circular No. 97-001 dated February 5, 1997.</p>		Partially Implemented		Still in the process of verification.
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overstatement of agency assets due to the inclusion of accounts with doubtful existence.					
Unrecorded Loans Payable Account 09. The Loans Payable – Domestic (444) account has an unrecorded balance of P207,611.14 as confirmed by the Land Bank of the Philippines thus understating the loans payable account as at year-end.	Direct the City Accountant to perform reconciliation of the account with the Land Bank of the Philippines and to take up appropriate adjusting entries, if necessary, in order to reflect the correct balances of the loans payable and other affected accounts as at year-end.		Implemented	100%	
Non-payment of Loans 10. Of the P6,569,823.36 receivables from beneficiaries of the Bridge Financing Program, only P384,645.82 or 5.8% were collected during CY 2009 in violation of the memorandum of agreement between the City and the beneficiary-home owners, thus contributing to the reduction of cash inflows for operating and investing activities of the LGU.	Direct the City Administrator to create a committee that will monitor the implementation of the memorandum of agreement between the City and the beneficiaries of the Bridge Financing Program including the repayment of loans granted thereon to improve the cash inflow of the City.		Partially Implemented		Not all beneficiaries paid.

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Tight Cash Position 11. The Cash balance of P102,784,483.45 as of December 31, 2009 is just sufficient to settle current obligations and pay for the continuing allotment of the LGU in the total amount of P102,612,331.22 hence could not be used as source of cash/funds for its forthcoming supplemental budgets.	Direct the City Administrator and the Finance Committee to find solutions to improve the cash position of the City and consider improving the collection rate of receivables from real property tax of P18,976,586.49 and Other Receivables of P6,457,087.93 as potential source of funds.		Implemented	100% implemented.	
Low Collection Efficiency 12. Of the P37,953,172.98 Real Property Tax and Special Education Tax Receivables, only P7,094,482.98 or 18.69% was collected by the City Treasurer's Office for CY 2009 thus indicating a very low collection efficiency rate which is detrimental to the revenue generation efforts of the LGU.	Direct the City Treasurer to create a task force that will focus on improving the collection efficiency rate of RPT and SET receivables; hence reducing the amount for delinquent accounts and contribute for the augmentation of revenues on developmental projects.		Partially Implemented		Locations of some taxpayers unidentified

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Suspended Transactions 13. LGU's total unsettled suspended transactions for CY 2009 amounted to P293,235.15 for lack of some documentary requirements justifying their legality, propriety and regularity.	Settle the suspensions within ninety (90) days from receipt of the Notices of Suspension to prevent them from maturing into disallowances in pursuance with Section 15 of the Manual on Certificate of Settlement and Balances.		Implemented	100% implemented.	
Disallowed Transactions 14. Total unsettled disallowances of the LGU for CY 2009 amounted to P47,500.00 for incurring expenditures without legal bases.	Require payments from persons liable on the amounts disallowed in audit; or by such other applicable modes of extinguishment of obligations as provided for by law in pursuance with Section 5.4 of the 2009 Rules and Regulations on the Settlement of Accounts.		Implemented	100% implemented.	

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<p>Understatement of PPE accounts</p> <p>15. Completed projects and various projects with no balances in the continuing allotment as of December 31, 2009 in the amounts of P11,210,066.46 and P938,170.83 respectively, remained unadjusted in the Construction in Progress account and were not closed to their appropriate Property, Plant and Equipment (PPE) account thus understating the affected PPE accounts as at year-end.</p>	<p>Direct the City Engineer to submit list of completed projects to the City Accountant who shall effect the proper adjustment/reclassification of accounts from Construction in Progress status to complete infrastructure projects. Likewise, the City Engineer should look into the list of closed projects submitted by the Budget Officer and determine the status of these projects as basis for the subsequent action of the City Accountant in recording the cost of projects in the books of accounts.</p>		<p>Implemented</p>	<p>100% implemented.</p>	
<p>Violations of Laws and Regulations</p> <p>16. The Revised Policy on Local Travel of IGACOS dated August 27, 2009 which granted additional allowances on local travel and hotel/lodging to LGU employees was contrary to Executive Order No. 298 dated March 23, 2004.</p>	<p>Cause the revision of your Executive Memorandum to only include policies which are not contrary to laws, rules and regulations.</p>		<p>Implemented</p>	<p>100% implemented.</p>	
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<p>Doubtful Validity in the Collection of Service Fees</p> <p>17. Service Income totaling to 72,894.00 were from collections not expressly authorized under Section 458 Article 3.3 (i) of RA 7160 or the Local Government Code.</p>	<p>Direct the City Legal Officer to conduct further research and study on the legality and propriety of the application of City Tax Ordinance No. 2004-083 to the City's own personnel requesting copies of official records and documents which they themselves are party to its preparation.</p>		<p>For evaluation</p>		
<p>Deficiencies in the Procurement Process</p> <p>18. The composition of the LGU's Bids and Awards Committee (BAC) and BAC Secretariat and the creation of the Technical Working Group (TWG) are not in accordance with Sections 11.2.3, 14.2 and 12.1.k of the Revised IRR of RA 9184, otherwise known as the Government Procurement Reform Act, resulting in doubtful validity of the action of the BAC, hence, any procurement resulting from the action of a legally impaired BAC may be open to questions of legality and validity. Moreover, the City failed to prepare the</p>	<p>Cause the revision of AO No. 06 series of 2009 to conform to the requirements of the Revised IRR of RA 9184 approved per GPPB Resolution No. 03-2009 dated July 22, 2009.</p> <p>We also recommend submission of APP, PPMP and PMR in the prescribed format to satisfy the requirements of law;</p>		<p>Implemented</p>	<p>100% implemented.</p>	
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Procurement Monitoring Report (PMR) and did not use the prescribed formats of Annual Procurement Plan (APP) and the Project Procurement Plan (PPMP) in violation of Sections 7.3.2 and 12.2 of the Revised IRR of RA 9184.	<p>Issue a separate Administrative Order designating one representative from each of the end user units who will act as a provisional BAC member. of the procurement processes;</p> <p>Reconstitute the BAC Secretariat and ensure that it is headed by a fifth (5th) ranking permanent employee in compliance with Sec. 14.2 of the revised IRR; and</p> <p>Direct the BAC to establish a mechanism for identifying/selecting members of the TWG for specific procurement, including the creation of a pool of technical, financial, and/or legal experts</p>				
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GENDER AND DEVELOPMENT (GAD) AUDIT					

<p>Absence of GAD Plan</p> <p>19. The failure to prepare a Gender and Development (GAD) plan as a tool for gender mainstreaming that should have been institutionalized by IGACOS as an integral part of the overall LGU plan and the absence of a GAD Focal Point that should have taken the lead resulted in the City's lack of mechanism to identify the potential differential impact of policies, programs, activities and projects on the status, roles and responsibilities of men and women in the LGU, as well as their access to and control of resources, benefits and opportunities.</p>	<p>Institutionalize GAD as an integral part of the overall LGU plan and install the GAD Focal Point or GAD Focal Point System to ensure implementation and effectiveness of interventions in addressing gender issues and in the attainment of the objectives of this country's GAD commitments, plans and policies.</p>		<p>Implemented</p>	<p>100% implemented.</p>	
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<p>20% DEVELOPMENT FUND</p> <p>Slow delivery of services & high percentages for unfinished projects</p> <p>20. Comparative Analysis of the Current Legislative Appropriations for CYs 2009, 2008 and 2007 revealed high percentages of Allotment Balances in the amounts of P46,906,313.96 or 53.33%; P17,064,838.01 or 33.98% and P24,509,238.65 or 48.16%, respectively, for unfinished projects under the 20% Development Fund, an indication of LGU's continued slow delivery of services to its constituents.</p> <p>21. Unfinished projects for CY 2009 under the 20% Development Fund amounted to P48,881,300.44 which was almost the amount of P50,150,581.80 that was set aside for the 20% Development Fund in the Annual Investment Plan of IGACOS for CY 2009.</p>	<p>Fast track the implementation of development projects to optimally achieve desirable socio-economic development and environmental outcomes.</p>		<p>Partially Implemented</p>		<p>Continuing projects</p>

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<p>Dormant Other Receivables Account</p> <p>22. Other Receivables amounting to P426,962.07 had been dormant or non-moving for more than five years and should be settled or written off in accordance with the provisions of COA Circular No. 97-001 dated February 5, 1997.</p>	<p>Direct the City Accountant to follow the proper procedures in managing Dormant Accounts in pursuance with COA Circular No. 97-001 dated February 5, 1997.</p>		<p>Of this amount, only P3,549.32 has been written-off by the LGU. They are still trying to collect most of these. Some of these collectible accounts belong to LGU personnel. The City Accountant is still in the process of evaluating and verifying the collectibility of these accounts.</p>	<p>Not implemented.</p>	<p>Still in the process of verification.</p>
<p>Suspended Transactions</p> <p>23. Total unsettled suspended transactions of the LGU for CY 2008 amounted to P901,347.08 for wanting of some documentary requirements justifying their legality, propriety and regularity.</p>	<p>Settle the suspensions within ninety (90) days from receipt of the Notices of Suspension to prevent them from maturing into disallowances in pursuance with Section 15 of the Manual on Certificate of Settlement and Balances.</p>		<p>Implemented</p>	<p>100% implemented.</p>	

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<p>24. Of the total Appropriated/Allotted Amount of P50,219,913.60, 29.87% or P15,001,960.00 represents the total unfinished projects and 4.11% or P2,062,873.01 represents the surplus/savings/unutilized amount, an indication of LGU's slow delivery of services to its constituents.</p>	<p>Fast track the implementation of development projects to optimally achieve desirable socio-economic development and environmental outcomes.</p>		<p>Per SAAOB, as of December 31, 2009, there is only a P5.9M allotment balance from 2008 20% Development Fund Appropriations. This is comprised mainly of P2.7M for Infrastructure and P1.2M for General Public Services. We are still working on the transfer of ownership of some of the related properties. Additional allotment balances for completed projects will be reverted to the unappropriated surplus based on the Certified List of Completed Projects submitted by the City Engineer on February 4, 2010.</p> <p>This deficiency was due to the use of different project reference codes for reporting of the different offices concerned. To date, all concerned offices are making use of a unified coding system for this purpose.</p>	<p>Partially implemented</p>	<p>Finding repeated in Cys 2008 and 2009 for low percentages of projects implementation.</p>

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<p>Value For Money Audit</p> <p>25. The LGU did not follow the provisions of the Executive Order No. 723 dated May 12, 2008 as it availed a Loan Program with LBP which was not an option under the IRA Differential Scheme thereby incurring unnecessary interest charges of P6,947,530.61 or a total loans payable of P27,708,559.61 for next seven years.</p>	<p>Opt for a scheme most beneficial to the City by canceling the loan from the LBP and avail of the installment payment scheme offered by DBM. Otherwise, pay for the amount of P12,968,229.02 representing the difference between the P14,740,330.59 lawful interest charges and P27,708,559.61 loan amortization availed of by the LGU.</p>		<p>After evaluation of the options available, management availed of the loan against IRA offered by LBP finding it the most favorable alternative. Considering the time value of money, availing of the loan from LBP was more advantageous by P1,452,645.80 than the scheme offered by DBM. Please see attached computation of the present value of money at 9%. This option was also among those extensively discussed in various for a of the League of Cities of the Philippines (LCP) and was eventually adopted by many cities all over the country. In fact, even LBP officials could attest that several LGUs in Mindanao are availing of the same scheme.</p>	<p>For evaluation .</p>	
<p>26. The LGU did not appropriately earmark the borrowings from LBP the discounted value of P20,533,417.86 for the statutory and mandatory 20% Development and 5% Calamity Funds in its 3rd Supplemental Budget, in violation of Section 287 of RA 7160 and Section 1 of RA 8185.</p>	<p>Revise the Statement of Supplemental Appropriation by extending the amount of P20,533,417.86 as funds available to be earmarked only for the 20% Development and 5% Calamity Funds.</p>		<p>Per 2008 Supplemental Budget No. 3, we have appropriately earmarked for the 20% Development Fund. On the other hand, since the source of fund is from borrowings and not from regular sources, we have not provided for the 5% Calamity Fund.</p>	<p>For evaluation .</p>	

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<p>Insufficient Collections for the Real Property Tax Delinquency</p> <p>27. For the year 2007, the City Treasurer's Office reported a total real property tax collections of P2,406,371.98 or 8% only of the total P28,435,487 Real Property Tax Delinquency as of December 31, 2007 thus indicating a very low collection efficiency rate which is detrimental to the revenue generation efforts of management.</p>	<p>Direct the City Treasurer to develop strategies to improve/increase the real property tax collection and reduce the delinquent accounts thus contributing to the augmentation of revenues for developmental projects.</p>		<p>Implemented</p>	<p>100% implemented.</p>	
<p>Findings on Information Systems Audit</p> <p>28. The absence of an Information Technology (IT) Strategic Plan that should embody IGACOS long and short-range plans resulted in the LGU's unclear IT direction vis-à-vis Real Property Tax Administration System.</p>	<p>a. Develop an IT Strategic Plan that would define the LGU's technological direction.</p> <p>b. Establish an electronic linkage between the Real Property Tax System of the City Assessor's Office and the City Treasurer's Office to maximize the use of the computerized system.</p> <p>c. Review thoroughly the existing computerized systems, identify the present needs, and align the computerization plans with the LGU's IT direction.</p>		<p>This year's justification: With the help of the Local Government Support Program (LGSP), the LGU had formulated and had been making use of an Information Technology Strategic Plan. All our IT undertakings were based on this plan.</p> <p>Last year's justification: This Plan has already been existing and utilized by the LGU. Nonetheless, revised edition will be made to accommodate the current requirement of the LGU. This calls for a workshop to be participated in by all department managers..</p> <p>To assure its sustainability and smooth implementation, the same shall also be endorsed to the SP for an Ordinance.</p>	<p>Not implemented</p>	<p>Not approved by SP for Ordinance yet.</p>

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<p>29. Collection reports generated by the RPT System of the City Treasurer's Office were not used as bases by the City Accountant's Office in recording collections in the books of the LGU thus the maximum utilization of the system was not achieved.</p>	<p>Initiate a joint meeting wherein parties concerned specifically state their concerns and requirements to be presented to ECPAC to address the issues.</p> <p>Reevaluate the use of RPTS, lay down the requirements of parties concerned, address the deficiencies noted and discuss with ECPAC to be able to come up with a common system.</p>		<p>This year's justification:</p> <p>As recommended, "we have initiated a joint meeting with all the offices concerned and we have presented our issues and requirements with ECPAC. However, until now, the present system still lack reporting features for us to be able to set up our receivables account. System enhancement is going on. Should the present provider fail to deliver, we are considering of adapting a new RPT system best suited for the LGU's needs, that will be common and appropriately linked to all these three offices for a more efficient operation.</p> <p>Last year's justification:</p> <p>Our RPT System developer (ECPAC) was already informed about this deficiency. Eventually, a feature that links the City Treasurer's Office data to the City Accountant's Office will be incorporated to the system.</p>	<p>Not Implemented</p>	<p>For further study by ECPAC</p>

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<p>30. Forty-eight percent (48%) or P24,509,238.65 worth of development projects was not implemented as of year-end, an indication of management's slow delivery of services to its constituents thus depriving the people of the benefits due them.</p>	<p>Establish linkages by using similar reference codes in the identification of programs and projects in the Status Reports of the Budget, Planning and Engineering Departments. One reference code should be assigned per project.</p> <p>Identify the cause/s and or factors for non-implementation of the development projects.</p>		<p>Non-implementation of projects was mainly due to failed biddings caused by unstable prices of materials. Other reasons include absence of deed of donation or no area at all; awaiting barangay commitment; incorrect project title; insufficient fund; or awaiting advice from initiating offices.</p> <p>Funds for some projects are already recommended for closure to be utilized to new projects.</p>	Partially Not Implemented	Finding repeated in Cys 2008 and 2009 for low percentages of projects implementation.
<p>31. Had the water systems been operated by the barangays, a yearly income of P6.8M could have been recognized and could have aided the financing of the capital expenditures and/or investment under the cost-recovery scheme of the LGU.</p>	<p>Call for the Sangguniang Panlungsod to promulgate policies attuned to effectively and efficiently regulate the utilization of public resources i.e., water systems in the barangays.</p> <p>Require barangays to submit separate financial reports on the operations of water systems, including collection efficiency reports on a monthly basis.</p>		<p>This has been noted by our legislative office.</p> <p>To date, a total of 11 barangays are already operating their barangay's water system and likewise keeping separate account for it.</p>	Not implemented.	No SP Policies yet

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<p>33. Only six out of the thirteen parcels of land valued at P10M+ which were acquired from 1999-2003 by the City Government were titled in 2004.</p>	<p>Work for the titling of lands in the name of the City Government.</p>		<p>This year's justification:</p> <p>To date, only four (4) remain untitled.</p> <p>Last year's justification:</p> <p>To date, nine out of fourteen parcels of land are already titled. The processing of titles or transfer of some of these properties are still pending due to reasons such as budgetary constraints, pending land use reclassification requests, disapproved application for reservation of Hagimit Falls, etc.</p> <p>The City Assessor's Office however is consistently taking appropriate action for the eventual titling of these properties.</p>	<p>Partially Implement ed</p>	<p>On going.</p>