

EXECUTIVE SUMMARY

Introduction

The City Government of Trece Martires was founded on May 24, 1954 by virtue of Republic Act (RA) No. 981 through the historic effort of then Senator Justiniano Montano and Congressman Jose T. Cajulis.

On March 31, 1992, President Corazon C. Aquino signed into law RA No. 7325, amending the City Charter and authorizing the conduct of local election in the City. The first local election was held on May 11, 1992.

Located at the heart of the Province of Cavite, with a land area of 3,917 hectares, the City Government of Trece Martires is the capital of the Province of Cavite. It is a fourth class city comprising 13 barangays named after the 13 martyrs who were sentenced to death on September 11, 1896 during the Spanish regime.

The City of Trece Martires aims to create an environment conducive to business that promotes social, moral and economic development. It seeks to ensure peace and order by strengthening the functionaries and organizations that play key roles in maintaining a progressive and peaceful community, promoting programs and projects that are environmentally sustainable and ensuring that the programs reach the marginal and indigent members of the community.

The organizational structure of the City is as follows:

a. Key Officials

City Mayor	: Hon. Gemma B. Lubigan
City Vice Mayor	: Hon. Romeo L. Montehermoso, Jr.
Members of Sangguniang Panlungsod	: Hon. JhonKesterAldrin R. Anacan
	: Hon. Hannah Czarina C. Aure
	: Hon. Rona A. Bago
	: Hon. Joyce Ann M. Baking
	: Hon. Romeo A. De Sagun
	: Hon. Anne Jomille D. Humarang
	: Hon. Antonio G. Lontoc
	: Hon. Kim Paolo C. Lubigan
	: Hon. Angelica April R. Peñalba
	: Hon. Angelito E. Vidallon
	: Hon. Jaimer M. Sierra- ABC President
	: Hon. Antonette T. Bernal – SK Federation President
City Treasurer	: Ms. Ferlinda M. Paz
City Assessor	: Mr. Manuelito P. Buhain
City Accountant	: Mr. Diomedes C. Bragais
City Budget Officer	: Ms. Marianne V. Colorado
City Planning and Development Coordinator	: Mr. Alberto S. Ararao

City Civil Registrar	:	Ms. Teresita A. Limbo
City General Services Officer	:	Mr. Angelito M. Villanueva
City Human Resource Management Officer	:	Ms. Marina M. Castillo
City Engineer	:	Engr. Aurelio D. De Ocampo
City Social Welfare and Development Officer	:	Ms. Nora N. Delos Santos
City Disaster Risk Reduction and Management Office	:	Engr. Kenneth A. Morales
City Environment and Natural Resources Officer	:	Arch. Ronnie D. Javier

b. No. of Personnel Complement

Permanent	507
Casual	70
Elective Officials	14
Co-terminus	<u>18</u>
Total	<u>609</u>

Scope of Audit

Financial and compliance audits were conducted on the accounts and operations of the City for Calendar Year (CY) 2019. The audit was conducted to ascertain the fairness of the presentation of the financial statements and compliance of the City with laws, rules and regulations, as well as the economical, efficient and effective utilization of resources.

Financial Highlights

For CY 2019, the City generated a total income of ₱875,141,535.71 from local taxes, permits and licenses, service and business income and internal revenue allotment. It has a total appropriation of ₱1,288,518,392.33. Of the total appropriation, ₱913,076,492.27 was obligated, leaving an unobligated balance of ₱375,441,900.06.

The total assets, liabilities, equity, income and expenses for CY 2019 compared with that of the preceding year are as follows:

	CY 2019	CY 2018	Increase/ (Decrease)
Financial Condition			
Assets	₱ 2,640,938,262.39	₱ 2,498,324,179.22	₱ 142,614,083.17
Liabilities	979,775,215.71	1,027,951,125.39	(48,175,909.68)
Equity	1,661,163,046.68	1,470,373,053.83	190,789,992.85

	CY 2019	CY 2018	Increase/ (Decrease)
Results of Operations			
Income	P 875,141,535.71	P 768,295,461.98	P 106,846,073.73
Expenses			
Personnel Services	227,800,803.67	194,284,367.54	33,516,436.13
Maintenance and Other Operating Expenses	291,062,008.01	261,147,719.24	29,914,288.77
Financial Expenses	16,928,124.10	12,482,259.67	4,445,864.43
Non-Cash Expenses	109,678,023.18	85,286,903.03	24,391,120.15
Transfers, Assistance or Subsidy	21,875,826.53	20,850,264.23	1,025,562.30
Other Non-Operating Income (Loss)	1,445,822.24	467,726.78	978,095.46
Total Expenses	668,790,607.73	574,519,240.49	94,271,367.24

Audit Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the City due to the following observations:

1. Variances in the balances of various Property, Plant and Equipment (PPE) accounts ranging from P74,048.00 to P26,529,944.34, between the Report on the Physical Count of PPE (RPCPPE) and the accounting records were still noted as of year-end. Moreover, several items and transactions were erroneously classified or recorded in the books of accounts and/or RPCPPE, contrary to COA Circular No. 2015-009, thereby casting doubt on the reliability of the PPE accounts in the RPCPPE and financial statements.
2. The year-end balances of the Real Property Tax (RPT) and Special Education Tax (SET) Receivables and their reciprocal accounts Deferred RPT and SET amounting to P342,571,856.62 and P163,839,221.21, respectively, were doubtful as the City did not reconcile the net discrepancy of P34,201,909.64 between the said accounts and the List of Delinquent Taxpayers submitted by the Treasurer's Office, contrary to Section 20 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I. Moreover, penalties totalling P179,369,480.29 for delinquent RPT and SET were recorded as part of the RPT and SET Receivables, thus overstating the RPT and SET Receivables and their reciprocal accounts Deferred RPT and Deferred SET by P126,034,377.13 and P53,335,103.16, respectively.
3. The unexpended balance of CY 2013 Local Disaster Risk Reduction and Management Fund (LDRRMF) amounting to P4,205,956.76 which was transferred to Special Trust Fund was not reverted back to the General Fund despite the lapse of five years, contrary to Section 21 of Republic Act (RA) No. 10121 and Commission on Audit (COA) Circular No. 2012-002, hence overstating the Trust Liability-LDRRMF and understating the

Government Equity accounts by the same amount. Moreover, it deprived the City of additional funds for other social services.

Significant Observations and Recommendations

For the deficiencies cited above, we recommended that the City Mayor direct the:

1. Inventory Committee and the City Accountant to refrain from classifying as PPE inventory items with serviceable life of more than one year but small enough to be considered as PPE but instead require the General Services Officer (GSO) to issue the corresponding Inventory Custodian Slip (ICS) to persons in actual possession of these inventory items for accountability and monitoring purposes pursuant to COA Circular No. 2005-002 dated April 4, 2005; and

City Accountant and the GSO to undertake reconciliation of their respective records and make the necessary adjustments considering the deficiencies/variances noted in audit for fair presentation of the PPE and Government Equity accounts in the financial statements.

2. City Accountant and the City Treasurer to analyze and investigate the cause/s of the net deficiencies of ₱34,201,909.64 between the balances of the RPT and SET Receivables and the List of Unpaid Taxes as of December 31, 2019, and make the necessary adjustments in their records; and

City Accountant to make the corresponding adjustments to the affected accounts in order to reflect the correct balances of the same in the financial statements. Henceforth, record only the basic unpaid RPT and SET as receivables and the penalties for delinquent accounts as income in the year of collection.

3. City Accountant to revert back to the General Fund the unexpended balance of CY 2013 LDRRMF amounting to ₱4,205,956.76 to be made available for other social services, in conformity with Sections 21 and 5.1.13 of RA No. 10121 and COA Circular No. 2012-002, respectively, and to present a more reliable financial statements

The other significant observations and recommendations are as follows:

1. Unserviceable Property, Plant and Equipment (PPE) with acquisition cost totaling ₱16,179,392.51 and total carrying value of ₱3,275,580.78 had not been disposed as of year-end, contrary to Section 79 of Presidential Decree (PD) No. 1445 and Section 125 of the MNGAS for LGUs, Volume I, thus exposed them to further deterioration and reduction of economic value.

We recommended that the City Mayor direct the Disposal Committee to facilitate the immediate disposal of the unserviceable properties in accordance with Section 79 of PD No. 1445 and with the policies and procedures provided in COA Circular No. 92-386 dated October 20, 1992 or the Manual on Supply and Property Management in the Local Governments.

2. The Breeding Stocks account balance amounting to ₱453,577.00 is doubtful due to: a) the account has been non-moving for at least nine years; b) movements/death occurrences were not properly documented; and c) the inability of the concerned offices to analyze, review, monitor and promptly adjust the account, contrary to the provisions of Section 111 of PD No. 1445 and Paragraph 16 of the International Public Sector Accounting Standard (IPSAS) 27.

We recommended that the City Mayor direct the:

- a. City Agriculturist to exert effort to retrieve all documents pertaining to the distribution of the swine to beneficiaries amounting to ₱100,000.00 in order for the City Accountant to adjust the Breeding Stocks account in the books of the City;
 - b. concerned officials to exert efforts in finding the relevant documents such as the MOA, the report of the farmers/beneficiaries regarding the death of the cattle, if any, the report on the investigation conducted and the action taken by the City on the matter to support the request from relief from accountability to be filed to COA;
 - c. City Agriculturist to conduct close and regular monitoring of the status of the remaining existing cattle under the City's Cattle's Dispersal Program so as transfer, birth and death of animals could be fully accounted for; and
 - d. City Accountant to conduct analysis of the of the Breeding Stock account and effect necessary adjusting entry, if warranted.
3. The City had been lax in enforcing the provisions of the Market and Slaughterhouse Code of Trece Martires City (2001) such that a total of ₱819,240.36 in stall rental fees, electricity charges and business permit fees were not collected and contracts of delinquent lessees and those who sub-leased their stalls were not cancelled, thereby deprived the City of additional funds to cover market-related expenses. The uncollected market rental fees amounting to ₱417,618.13 were also not recorded in the books of accounts, thus understating the Receivables and Income accounts by the same amount.

We recommended that the City Mayor instruct the:

- a. City Market Administrator and City Treasurer to strictly implement the relevant rules and regulations of the Market and Slaughterhouse Code of Trece Martires City (2001) on the imposition of fees, execution of contract of lease, cancellation of lease right and/or eviction of delinquent stallholders;
- b. City Treasurer to facilitate the preparation of the Contract of Lease of all stallholders; and
- c. City Treasurer to update the records of receivables and payments by individual stallholders to determine their outstanding balances for monitoring and collection purposes and report the same to the City Accountant for recording in the books of accounts of the City Government for fair presentation of the financial statements.

4. The City utilized a total of ₱1,094,905.70 from the Local Disaster Risk Reduction and Management Fund (LDRRMF) for the implementation of programs and projects that were not directly related to the four thematic areas of disaster risk reduction management set forth under the National Disaster Risk Reduction and Management Council-Department of Budget and Management-Department of the Interior and Local Government (NDRRMC-DBM-DILG) Joint Memorandum Circular (JMC) No. 2013-1, thereby defeating the purpose for which the fund was created.

We recommended that the City Mayor require the City Budget Officer to provide written explanation and/or justification on why the subject expenditures amounting to ₱1,094,905.70 were charged against the LDRRMF despite being not related to disaster risk reduction and management activities to prevent suspension or/and disallowance of the transactions in audit.

We also recommended that the City Mayor direct the City Budget Officer to ensure that only expenditures directly related to disaster risk management are charged against the LDRRMF while administrative expenses will be charged instead against the General Fund appropriations of the respective City Offices.

5. The Continuing Appropriations portion of the LDRRMF was utilized for programs/projects which were not incorporated in the 2019 LDRRMF Investment Plan (LDRRMFIP). Moreover, the City did not submit a Monthly Report on Sources and Utilization of DRRMF to the Auditor, contrary to the requirements of COA Circular No. 2012-002. Further, only ₱28,201,374.57 or 27.39 per cent of the current year and prior years' appropriations for LDRRMF totaling ₱102,973,266.28 was utilized for the year 2019.

We recommended that the City Mayor direct:

- a. the City Disaster Risk Reduction Management Council to identify and incorporate, under a separate caption, in the LDRRMFIP the projects and activities to be charged out of the unexpended previous years' LDRRMF pursuant to COA Circular No. 2012-002;
 - b. all concerned officials to optimize the utilization of LDRRMF focusing on programs, projects and activities that will strengthen its capacity to prevent and mitigate disaster risks; and
 - c. the CDRRMO to submit the Monthly Report on Sources and Utilization of Disaster Risk Reduction and Management Fund to facilitate proper monitoring and evaluation of the utilization of fund.
6. Only ₱69,801,312.98 or 42.14 per cent out of the total available appropriation of ₱165,625,250.86 for 20 per cent Development Fund was utilized by the City in CY 2019, due to the inclusion in the City's Annual Investment Plan (AIP) of projects with no identified location and site and right of way problems, contrary to Item 5.0 of Department of the Interior and Local Government (DILG) and Department of Budget and Management (DBM) JMC No. 2017-1, thus the desired socio-economic development and environmental outcomes were not fully met.

We reiterated our prior year's recommendations that the City Mayor direct the:

- a. City Engineering Office to coordinate with the City Planning and Development Office (CPDO), to ensure that detailed engineering such as survey and site inspection/investigation of the location of the proposed projects to be funded out of the 20 per cent Development Fund are carried out before the preparation of the plan as provided under Section 17.6 of the 2016 Revised Implementing Rules and Regulations (IRR) of RA No. 9184, to avoid delays and other issues in project implementation;
 - b. City Development Council and CPDO to review the unimplemented projects funded by the Continuing Appropriation and determine whether they are still feasible and among the priority projects of the City. Otherwise, it is recommended that these projects be reprogrammed together with the unexpended balances of the completed projects for the other development projects, subject to the concurrence of the Sangguniang Panlungsod and compliance with other existing budgeting rules and regulations; and
 - c. City Accounting Office to refrain from over estimating the amount of loan repayments.
7. Copies of the approved contracts of the 34 implemented projects, together with other required supporting documents, involving a total amount of ₱119,528,605.42, were not submitted to the Office of the Auditor within five working days from the execution thereof, contrary to Commission on Audit (COA) Circular No. 2009-001, thus prevented the timely auditorial review, inspection and evaluation of the same, and communication of deficiencies, if any.

We recommended that the City Mayor direct the City Engineering Office and the Bids and Awards Committee (BAC) Secretariat to furnish the Audit Team with copies of approved contracts and all the documents forming part thereof within five days from their execution as prescribed under COA Circular No. 2009-001 dated February 12, 2009, to facilitate prompt review and evaluation of the contracts and early communication to Management of the deficiencies, if any.

8. Payments of the 15 per cent mobilization totalling ₱3,740,988.87 were granted to contractors without requiring them to submit an irrevocable standby letter of credit of equivalent value from a commercial bank, a bank guarantee or a surety bond callable upon demand, issued by a surety or insurance company duly licensed by the Insurance Commission and confirmed by the City, contrary to Section 4.2, Annex E of the 2016 Revised IRR of RA No. 9184, thus the risk that the government may not be indemnified in case of default by the contractor/s.

We recommended that the City Mayor direct the City Accountant to:

- a. make representation with IVY Construction and require the submission of the prescribed warranty security for the 15 per cent mobilization received; and
- b. ensure that the required irrevocable standby letter of credit of equivalent value from a commercial bank, a bank guarantee or a surety bond callable upon demand, issued

by a surety or insurance company duly licensed by the Insurance Commission and confirmed by the City, are submitted by the contractors before payment of the 15 per cent mobilization fee.

9. Claims for 20 completed infrastructure projects totalling ₱240,172,724.10 were paid without requiring the contractors to post the required amount of warranty security provided under Section 62.2.3.3 of the 2016 Revised IRR of RA No. 9184, thereby exposing the City to the risk of not being fully indemnified in case of damage due to structural defects on these infrastructure projects within the applicable warranty period.

We recommended that the City Mayor direct the City Accountant to make representation with the concerned contractors and require the posting of the prescribed amount of warranty security for the infrastructure projects that had been fully paid. Henceforth, strictly observe the posting of the required amount of warranty security by the contractors prior to the release of full payment for every completed/accepted infrastructure project to guarantee the performance of their responsibilities as prescribed in Section 62.2.3.3 of the Revised IRR of RA No. 9184.

10. The City resorted to splitting of requisitions of sports equipment and other supplies for Athletic Meet 2019 aggregating ₱1,005,794.00, which inappropriately allowed it to procure using the alternative procurement method of shopping from one and the same supplier with doubtful eligibility, instead of competitive bidding, contrary to Section 54.1 of the 2016 Revised IRR of RA No. 9184 and COA Circular No. 76-41, thereby casting doubt on whether or not the City was able to achieve the most advantageous prices for the items in the market.

We recommended that the City Mayor:

- a. direct the members of the BAC, General Services Office (GSO) and other concerned officials to stop the practice of splitting procurement by consolidating all requests from DepEd for sports equipment and other items and pursue competitive bidding in their procurement, unless resort to shopping or other alternative modes of procurement is necessary and warranted by the conditions set forth under the 2016 Revised IRR of RA No. 9184. Otherwise, the procurement shall be disallowed in audit due to violation of the said law.
 - b. require the concerned school officials to undertake early preparation of the request for the items needed for the yearly Athletic Meets to allow the BAC reasonable and sufficient lead time to consolidate and conduct public bidding way ahead of the scheduled competition; and
 - c. instruct the BAC Secretariat to submit to the Auditor the eligibility of the supplier showing that it is qualified to sell sports equipment and other supplies, to avoid suspension and/or disallowance of the transactions in audit.
11. The hiring and contracts of locally or city-hired teachers whose salaries, allowances and other benefits totaling ₱1,076,182.34 were charged against the Special Education Fund (SEF) were deficient as their eligibilities and the schools where they would be assigned were not provided in their contracts, thereby casting doubt on whether the procedures

and requirements provided for under Section 4.1.1.1 of the DepEd, DBM and DILG Joint Circular (JC) No. 01, s. 2017 had been complied with.

We recommended that the City Mayor direct the Local School Board (LSB) and other concerned officials to submit to the Audit Team for evaluation the basis, criteria or guidelines used by the City in the hiring of LSB teachers. Henceforth, it is recommended that they ensure that all locally-hired teachers are included in the list found in the Registry of Qualified Applicants (RQA) or the official list of applicants who obtained an overall score of 70 points and above based on the criteria set and as a result of the evaluation and selection processes of the Department of Education and that the schools where they would be assigned are clearly stated in their contracts to establish the necessity of their employment and deployment.

12. The City's Gender and Development (GAD) Plan and Budget (GPB) had not been reviewed by the DILG Provincial Office and endorsed to the Philippine Commission on Women (PCW) due to the City's delay in the preparation and submission thereof, contrary to Section 4.1.C.5 of Philippine Commission on Women (PCW)-Department of the Interior and Local Government (DILG)-Department of Budget and Management (DBM)-National Economic and Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2013-01 as amended, hence putting in doubt the alignment of the City's GAD Programs, Projects and Activities (PPAs) to the priorities of the Province of Cavite.

We recommended that the City Mayor ensure that the schedule in the preparation of the City's GAD Plan and Budget provided under Section 4.1.C.5 of the PCW-DILG-DBM-NEDA JMC No. 2013-01, as amended, is strictly observed by all concerned offices in the City to facilitate its timely submission to the Provincial Planning Development Office (PPDO) and DILG Provincial Office for review and eventual endorsement to the PCW.

13. The GAD Database that could have supported the City's GAD planning, programming and policy formulation was still not in place as of year-end of CY 2019, contrary to Section 4.B.1 of the PCW-DILG-DBM-NEDA JMC No. 2013-01, thus there was no assurance that the existing gender issues and concerns within the City were properly identified and addressed.

We reiterated our prior year's recommendation that the City Mayor direct the City Planning and Development Officer to expedite the establishment and maintenance of a comprehensive GAD Database to serve as basis for gender-responsive planning, programming and policy formulation.

14. Several motor vehicles owned by the City Government were not marked "For Official Use Only" and did not bear government plates, contrary to COA Circular No. 77-61 dated September 26, 1977, thus the risk that they may be used for purposes other than official business is not reduced.

We recommended that the City Mayor direct the:

- a. City General Services Officer to have all service and rescue vehicles owned by the City be marked with "For Official Use Only" under which should be written the name

of the City Government of Trece Martires to properly identify the vehicles as government property;

- b. City Disaster Risk Reduction Management Officer to have all rescue vehicles be marked as "Rescue Vehicle" to give assurance that they would be used solely for activities directly related to disaster risk reduction and management; and
 - c. City General Services Officer to secure government plates for the 48 government motor vehicles.
15. Fifteen (15) City officials and employees were issued with more than one service vehicles, contrary to Section 361(b), Chapter 4 of the Government Accounting and Auditing Manual (GAAM), Volume 1.

We recommended that the City Mayor instruct:

- a. the concerned city officials/employees to explain/justify the necessity of having more than one service vehicle; and
 - b. all concerned city officials/employees to adhere strictly to the rules and regulations on the use, issuance/assignment of government service vehicles.
16. Disbursements for the procurement of infrastructure projects with gross amount totaling ₱78,809,587.43; collection, hauling, transport and disposal of wastes generated by the City with gross amount of ₱52,320,955.00; and various claims charged against the SEF totaling ₱4,805,159.00 were processed and approved despite deficient and/or incomplete documentation, contrary to Section 4(6) of PD No. 1445 and COA Circular No. 2012-001, thus the propriety and validity of the transactions could not be established.

We recommended that the City Mayor require the City Accountant to coordinate with responsible officials to facilitate the immediate submission to the Auditor of the lacking documents for further evaluation and/or correction of deficiencies noted in audit of the procurement of infrastructure projects; collection, hauling, transport and disposal of waste generated by the City and various claims charged against the Special Education Fund to avoid suspension and/or disallowance of the subject transactions.

Summary of total Suspensions, Disallowances and Charges as of Year-end

Unsettled suspensions and disallowances as of December 31, 2019 amounted to ₱2,727,500.00 and ₱74,748,007.17, respectively. The disallowances are under appeal with COA Regional Office No. IV-A

Status of Implementation of Prior Year's Audit Recommendations

Of the 27 audit recommendations contained in the 2018 Annual Audit Report, eight were fully implemented, 12 were partially implemented and seven were not implemented.