

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Motiong, Samar is formerly known as “Mutya” which means “Place of Treasure” because the natives believed that the place was full of treasures. The name lasted for so many years. When the Americans came in 1886, the name of the place was unknowingly changed to Motiong. Formerly, it was a barrio of the Municipality of Wright (Paranas). However, through the effort of Mr. Mariano Sapetin and other civic spirited citizens of Motiong residing in Manila, the barrio was separated from the municipality of Wright as an independent municipality by virtue of R.A. No. 290 on June 16 1948.

It is composed of thirty (30) barangays and is classified as a fourth (4th) class municipality. The municipality is headed by the elected Mayor, Hon. Francisco M. Langi, Sr. He is assisted by Vice Mayor Estela D. Dasmarinas.

Pursuant to Republic Act No. 7160, known as the Local Government Code of 1991, the main thrust of the municipality is effective and efficient delivery of all vital services to its constituents for the development of its community towards progressive country.

HIGHLIGHTS OF FINANCIAL OPERATIONS

Income

The total income of the municipality from various sources in CY 2012 amounted to P47,335,600.93 or an increase of P2,654,701.72 or 5.94% from the total income in CY 2011 due to increase in collections of permits and licenses, to wit:

<u>Sources of Income</u>		<u>2012</u>		<u>2011</u>	<u>Increase(Decrease)</u>		
					<u>Amount</u>	<u>Percentage</u>	
Local Income	P	263,050.38	P	305,166.98	P	(42,116.60)	(13.80%)
Internal Revenue Allotment		41,161,847.00		42,506,928.00		(1,345,081.00)	(3.16%)
Permits and Licenses		4,307,069.15		290,533.40		4,016,535.75	1382.47%
Service Income		20,475.00		14,695.00		5,780.00	39.33%
Business Income		1,583,159.40		1,563,575.83		19,583.57	1.25%
Total	P	<u>47,335,600.93</u>	P	<u>44,680,899.21</u>	P	<u>2,654,701.72</u>	<u>5.94%</u>

Appropriations and Expenditures

Total appropriations of the municipality for CY 2012 amounted to P43,809,259.42 or a decrease of P1,629,820.00 or 3.59% over the previous year's appropriation of P45,439,079.42, to wit:

Programs/Projects	2012	2011	Increase/(Decrease)	
			Amount	Percentage
General Public Services P	27,592,736.68	P 23,291,302.84	P 4,301,433.84	18.47%
Educ., Culture, Sports & Manpower Dev't	60,000.00	42,000.00	18,000.00	42.86%
Health Services	3,250,975.51	2,862,293.68	388,681.83	13.58%
Social Welfare Services	859,585.48	776,245.40	83,340.08	10.74%
Economic Services	324,000.00	3,166,000.00	(2,842,000.00)	(89.77%)
Other Purposes	11,721,961.75	15,301,237.50	(3,579,275.75)	(23.39%)
Total	P 43,809,259.42	P 45,439,079.42	P (1,629,820.00)	(3.59%)

Obligations incurred from current appropriations amounted to P42,687,482.45 or a decrease of P1,610,150.06 or 3.63% when compared with the previous year's amount, to wit:

Programs/Projects	2012	2011	Increase/(Decrease)	
			Amount	Percentage
General Public Services P	27,455,661.43	P 23,198,992.34	P 4,256,669.09	18.35%
Educ., Culture, Sports & Manpower Dev't	151,025.15	42,000.00	109,025.15	259.58%
Health Services	3,250,975.51	2,858,538.43	392,437.08	13.73%
Social Welfare Services	822,777.48	776,245.40	46,532.08	5.99%
Economic Services	323,500.00	3,166,000.00	(2,842,500.00)	(89.78%)
Other Purposes	10,683,542.88	14,255,856.34	(3,572,313.46)	(25.06%)
Total	P 42,687,482.45	P 44,297,632.51	P (1,610,150.06)	(3.63%)

Financial Condition

		<u>2012</u>		<u>2011</u>		<u>Increase(Decrease)</u>	
						<u>Amount</u>	<u>Percentage</u>
Assets	P	78,002,382.64	P	56,714,261.04	P	21,288,121.60	37.54%
Liabilities		38,668,277.43		20,243,634.97		18,424,642.46	91.01%
Government Equity		38,717,131.76		35,625,666.88		3,091,464.88	8.68%
Income		47,335,600.93		44,680,899.21		2,654,701.72	5.94%

SCOPE OF AUDIT

A financial and compliance audit was made on the accounts and operations of the Municipality of Motiong, Province of Samar, for the calendar year ended 2012. The audit was aimed to ascertain the propriety and validity of disbursements and receipts as well as the reliability of the accounts as presented in the financial statements, and to determine whether the agency complied with applicable laws, rules and regulations. The audit likewise, included a review of operating procedures, vouching of transactions such as disbursement vouchers, payrolls and receipts, interview with concerned city officials and employees, verification and analysis of accounts and such other audit procedures considered necessary under the circumstances.

STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered an adverse opinion on the fairness of the presentation of the financial statements because of the following: a) balance of the Cash in Bank, LCCA account of P3,150,467.63 is unreliable due to various errors in recording of transactions and the failure of the accountant to conduct the required reconciliation between the bank and agency's records; b) balance of the Advances to Officers and Employees account of P710,685.08 is unreliable because of the absence of details/schedules and adjustments/deductions made to the account in the amount of P210,063.00 were not supported with liquidation reports and/or pertinent documents; c) balance of the Property, Plant and Equipment accounts of P68,743,112.18 is unreliable due to the absence of subsidiary/property records for each PPE classification, failure to conduct physical count of all properties in CY 2012, and erroneous recording of financial expenses in the amount of P1,563,253.97 to the Heavy Equipment and Other Property, Plant and Equipment account; and d) balances of the Roads, Highways and Bridges and the Due to BIR accounts were understated by P503,267.76, while the Due to Other GOCCs account by P465,500.00 due to unrecorded and misposted transactions.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

1. Errors in recording of transactions in Treasurer's records were not promptly detected due to the absence of regular reconciliation between accounting and treasurer's records which resulted in a discrepancy in balances of P139,067.06 as of December 31, 2012.

We recommend that management direct the City Accountant and Treasurer to reconcile their records and to effect the necessary adjustments to arrive at correct balances.

2. Remittances of collections from the collectors were delayed ranging from 3 to 259 days while deposits of collections to the authorized depository banks were not made daily and intact, resulting in the accumulation of substantial balances of undeposited collections at month end and exposes these funds to the risk of possible misuse and/or loss.

We recommend that management strictly enforce the provisions of Article 449 Rule XXXVI of the Rules and Regulations Implementing the Local Government Code of 1991 (RA No. 7160 and pertinent provisions of the Manual on New Government Accounting System regarding remittances and deposits of collections.

3. The balance of the Cash in Bank, LCCA account of P3,150,467.63 as of December 31, 2012 cannot be relied upon due to various errors in recording of transactions and the failure of the accountant to conduct the required reconciliation between the bank records and cash in bank balance in the agency's books, contrary to Section 74 of PD 1445 and 3.2 & 3.3 of COA Circular No. 96-001 dated October 2, 1996.

We recommend that management strictly comply with the provisions of Section 74 of PD 1445 and 3.2 & 3.3 of COA Circular No. 96-001 dated October 2, 1996.

We also recommend that management direct the Municipal Accountant to make the necessary adjustments in the books to record the transactions affecting the five (5) unrecorded Bank accounts to arrive at correct records and balances.

4. Advances to Officers and Employees totalling P710,685.08 remained unliquidated at year-end, of which P645,145.08 or 91 % were outstanding for over one year to over two (2) years, contrary to Section 14 of EO 298 dated March 23, 2004, Section 89 of PD No. 1445, and COA Circular No. 97-002 dated February 10, 1997. Moreover, the balance of the account is unreliable

because of the absence of details/schedules to pinpoint responsibility and adjustments/deductions made to the account in the amount of P210,063.00 were not supported with liquidation reports and/or pertinent documents.

We recommend that management strictly adhere with the provisions of Section 14 of Executive Order No. 298 and Sections 4.1.2 and 4.1.3 of COA Circular No. 97-002;

We also recommend that the Municipal Mayor should require the Municipal Accountant to closely monitor the liquidations of cash advances through the issuance of demand letters to concerned officials and employees, to maintain subsidiary records of unliquidated cash advances and to exert extra efforts in identifying the particulars/information of the unliquidated cash advances to facilitate pinpointing of responsibility and liability to the unliquidated amount, and to see to it that all supporting documents are intact and in order before accepting and recording the liquidations.

5. The year-end balance of the Property, Plant and Equipment accounts of P68,743,112.18 (net of accumulated depreciation), comprising 88% of the total assets as of December 31, 2012, is unreliable due to the absence of subsidiary/property records for each PPE classification, failure to conduct physical count of all properties in CY 2012, and erroneous recording of financial expenses in the amount of P1,563,253.97 to the Heavy Equipment and Other Property, Plant and Equipment account.

We recommend that the municipal Mayor undertakes the following measures, to wit: a) direct the Accounting and Municipal Treasurer's Offices to properly maintain property records and to conduct regular reconciliation of both records so that errors could be detected and necessary adjustments be made to come up with correct balances; b) create a committee to conduct an inventory of all properties of the municipal government in accordance with Section 124 of the Manual on New Government Accounting System for local government units, Volume I; c) send concerned officials and employees to attend trainings on Property Management; and d) record the financial expenses in the appropriate account.

6. The Roads, Highways and Bridges and the Due to BIR accounts were understated by P503,267.76, while the Due to Other GOCCs account by P465,500.00, due to unrecorded and misposted transactions in the Trust Fund, thus, affecting the accuracy and reliability of the balances of said accounts in the financial statements.

We recommend that the Municipal Accountant should draw a Journal Entry Voucher (JEV) to record/adjust the erroneous recording of transactions to come up with correct account balances.

7. Procurement of goods and services, equipment, and other items in CY 2012 totaling P2,852,661.11 were done on reimbursement basis and/or from petty cash fund and special cash advances instead of through the regular procurement process, contrary to RA 9184 and its Revised Implementing Rules and Regulations. Moreover, reimbursements or payments were made notwithstanding the absence and/or improperly accomplished basic documents supporting the claims contrary to Section 4(6) of PD 1445 and COA Circular No. 2012-001 dated June 14, 2012, thereby creating doubt on the regularity of the expenditures.

We recommend that management strictly observe the guidelines set forth in RA 9184 and its Revised Implementing Rules and Regulations in all their procurement activities.

We also recommend that management adopt a policy on the grant of communication allowance to all its officers and employees for uniformity in application and for guidance in their succeeding transactions.

We also recommend that management strictly comply with the documentary requirements for all types of transaction as required under COA Circular No. 2012-001 dated June 14, 2012.

8. Wages of 192 Job Order (JO) workers totalling P4,480,821.45 were paid notwithstanding the absence of job order contracts and other pertinent documents to support the claims, contrary to Section 4(6) of PD 1445 and COA Circular No. 2012-001 dated June 14, 2012, thus, the necessity of their services and the validity of the disbursements was not ascertained.

We recommend that management implement strictly the provisions of Section 4(6) of PD 1445 and COA Circular No. 2012-001 dated June 14, 2012.

9. The proposed programs and projects charged to the 20% IRA for development projects in CY 2012 were not fully implemented and the funds appropriated were partly utilized to pay for ineligible expenses in the total amount of P757,155.90 and various projects costing P615,293.00 which were not in the proposed budget, contrary to DILG-DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011.

We recommend that management enforce strictly Section 287 of RA 7160 (Local Government Code of 1991) and DILG-DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011.

We also recommend that management should monitor closely the utilization of their budget in order to avoid overdraft in appropriation.

10. The unexpended balance of the Local Disaster Risk Reduction and Management Fund (LDRRMF) as of year-end in the amount of P155,134.57 was not transferred to a special trust account and the reporting requirements for the fund utilization were not complied with, contrary to Section 3, Rule 18 of the IRR of RA 10121 and 4.4 and 5.1.5 of COA Circular No. 2012-002, dated September 12, 2012, thereby exposing the funds to possible misappropriation and loss. Moreover, absence of control over the utilization of the fund resulted in overdraft of appropriations for some projects and the depletion of the 30% quick response allocation notwithstanding non-occurrence of calamities during the year.

We recommend that management strictly comply with the provisions of the IRR of RA 10121 and COA Circular No. 2012-002 dated September 12, 2012.

11. Disbursements for Intelligence fund amounting to P209,430.00 were recorded as outright expenses, thus, understating the balance of the Advances to Officers and Employees account by that amount as of year-end and relieving the Municipal Mayor of the responsibility to liquidate the same contrary to COA Circular No. 2003-003 dated July 30, 2003.

We recommend that the Municipal Mayor should require the Accountant to draw a Journal Entry Voucher to reclassify the grant of Intelligence Fund to the appropriate asset account – Advances to Officers and Employees, in order to come up with correct account balances.

We also recommend that the Municipal Mayor should immediately submit his liquidation reports on the CY 2012 cash advances for intelligence fund directly to the COA Chairman's Office pursuant to COA Circular No. 2003-003 dated July 30, 2003.

12. The municipality remitted more than the prescribed rate of the employer's share for the HDMF Fund contributions of its employees or an excess contributions of P180,605.79 in CY 2012, contrary to Republic Act No. 9679 or the Home Development Mutual Fund Law of 2009.

We recommend that management strictly comply with the provisions of Republic Act No. 9679 or the Home Development Mutual Fund Law of 2009.

13. Employees' loan from private institutions were deducted from the gross amount of their monthly salaries which resulted in at least twenty (20) employees or 34% of the total regular employees of the municipality receiving less than P5,000.00 monthly net take home pay during the calendar year, contrary to Section 66, Chapter 10, Title I, Book V of Executive Order

(EO) No. 292, s. 1987 (the Administrative Code of 1987) and Section 37 of the General Provisions of the CY 2012 General Appropriations Act (RA 10155).

We recommend that management enforce strictly the provisions of Section 66, Chapter 10, Title I, Book V of Executive Order (EO) No. 292, s. 1987 (the Administrative Code of 1987) and Section 37 of the General Provisions of the CY 2012 General Appropriations Act (RA 10155).

14. Taxes arising from government money payments in CY 2012 amounting to approximately P97,366.22 were not withheld by the municipality, contrary to Republic Act No. 9337 and its related Revenue Regulations.

We recommend that appropriate taxes should be withheld by the Municipality for all government money payments.

COMPLIANCE WITH TAX LAWS

Management partially complied with existing BIR Regulations. Taxes withheld from employees compensation, suppliers and contractors in the total amount of P2,869,973.80 were remitted to the BIR within the reglementary period.

STATEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES (SASDC)

There were no issuances by the previous Audit Team of Notices of Suspension, Disallowance and Charge as of December 31, 2012. Whereas, the Notices of Suspension and or Disallowance resulting from post-audit of CY 2012 transactions are still for issuance.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the ten (10) recommendations embodied in the 2011 and prior years' Audit Report, one (1) was fully implemented, one (1) was partially implemented and eight (8) were not implemented.