



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue
Quezon City

ANNUAL AUDIT REPORT

ON THE

MUNICIPALITY OF HERNANI **Province of Eastern Samar**

For the Year Ended December 31, 2014



Republic of the Philippines
COMMISSION ON AUDIT
Region VIII
Office of the Supervising Auditor
Audit Group LGS-A - Province of Eastern Samar
Capitol Site, Borongan City, Eastern Samar

March 19, 2015

Hon. Edgar C. Boco
Municipal Mayor
Hernani, Eastern Samar

Sir:

Pursuant to Section 2, Article IX-D of the Philippine Constitution, Section 43(2) of Presidential Decree No. 1445, otherwise known as the "Government Auditing Code of the Philippines," and in line with the Commission's continuing efforts to inform management on how fiscal responsibility has been discharged, we are pleased to transmit the report of our Auditor on the results of her audit on the accounts and operations of the Municipal Government of Hernani, Eastern Samar, for the year ended December 31, 2014.

The audit was conducted to ascertain the propriety of financial transactions and compliance of the local government unit (LGU) to prescribed rules and regulations. The scope of audit was limited to its operation and evaluation of the auditee's degree of compliance to pertinent laws, rules and regulations due to management's failure to submit the financial statements for the year 2014 as of report date.

In his report, the Auditor enumerated the following significant findings, viz:

1. The Municipal Accountant failed to submit to the Audit Team the financial statements and supporting schedules for CY 2014 contrary to Section 347 of R. A. 7160, Section 7.2.1.a of COA Circular No. 2009-006 and Section 4.1 of COA Circular No. 2010, thus preventing the timely audit/review of the financial statements and to render audit opinion on the financial statements.
2. Management failed to submit Report of Checks Issued, Report of Disbursements, Report of Collections and Deposits with supporting documents for CY 2014 and to render accounts for July to December 2014 contrary to Section 107 of PD 1445, Section 6, COA Circular No. 95-006, and Section 55 of the NGAs Manual for LGUs, thus the validity, regularity, and propriety of the transactions could not be ascertained.
3. Payment of wages of casual/job order employees totaling P196,290.00 were not supported with Accomplishment Reports contrary to Section 4 (6) of PD 1445 and COA Memorandum 2012-010, thus causing difficulty in determining the validity of claims.
4. Various disbursements totaling P1,526,377.45 were not adequately supported with proper documentation contrary to Section 4 (6) of PD 1445 and relevant provisions of COA

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AGRIPIA G. TADA

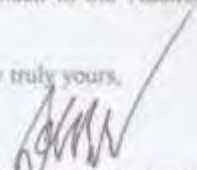
Circular 2012-001 and RA 9184, thus the validity/legality of the transactions were doubtful.

5. Monthly Reports on the Receipt and Utilization of LDRRMF, Disbursement Vouchers, Official Receipts, Journal Entry Vouchers, Liquidation Reports and required financial reports in relation to Local Disaster Risk Reduction and Management Fund for CY 2014 were not submitted by the Municipal Treasurer and Accountant, contrary to A 1 and B, Part V of COA Circular 2014, Section 347 of RA 7160, Section 100 of PD 1445, COA Circular 95-006 and other pertinent sections of the NGAS Manual for LGUs, thus depriving management of timely and relevant audit results to support significant management decisions.

We request that the recommended remedial measures be immediately implemented and we will appreciate being informed of the action(s) taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI) form within 60 days upon receipt hereof.

We acknowledge the cooperation and support extended to our Auditor and her Team during the audit.


Very truly yours,


DAMIANA B. PELINO
Supervising Auditor


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- The Regional Director, COA Regional Office No. VIII, Palo, Leyte

DEPARTMENT OF BUDGET
AND MANAGEMENT
REGIONAL OFFICE VIII
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BY: 
DATE: 3-27-15



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MAYOR'S OFFICE
03/26/15

EXECUTIVE SUMMARY

Introduction

The Municipality of Hernani was founded around the year 1850 by Miguel “Totoy Yadawon” Candido, a settler from Guiuan, Eastern Samar. Formerly called NAG-AS (derived from the name of the river located southeast of the town proper), the settlement is nestled on a flat coastal terrain facing the vast Pacific Ocean.

NAG-AS reached the epochal point of its development when it was made a regular and independent municipality as embodied in a Royal Decree issued by Spanish Governor-General Rafael Echague on the 4th of January 1864. The royal fiat also mandated the change of the old name NAG-AS to HERNANI.

Right after the Philippine-American War, the political status of Hernani was reduced into a barrio under the jurisdiction of Lanag (now Llorente). In 1912, its status as a Municipality was restored but the seat of local government was transferred to Pambujan (now Gen. MacArthur). However, in 1926, the Municipality of Hernani regained back the township by virtue of an Executive Order issued by the American Governor-General Leonard Wood.

Hernani is a 5th class municipality with thirteen (13) barangays. Its vision - *“A prosperous community characterized by enlightened and self-sufficient citizens engaged in diversified livelihood undertakings in an ecologically balanced environment and inspired by a just and efficient local government leadership”*.

Highlights of Financial Operation

The auditor has no basis to render an opinion since the agency has not submitted the financial statements, as of December 31, 2014 as of report date.

SIGNIFICANT ACCOMPLISHMENTS OF THE LGU

The following infrastructure projects were reported completed within the targeted date of completion based on the submitted Quarterly Report on Government Projects/Programs/Activities:

1. Construction of Temporary Shelter
2. Repair/Rehab. Of Day Care Center
3. Construction of Concrete Reservoir
4. Installation of 6-units Jetmatic Pump
5. Construction on Brgy. Health Station, Brgy. Batang
6. Repair/Rehab of Brgy. Health Station, Brgy. Canciledes
Repair/Rehab of Brgy. Health Station, Brgy. San Miguel

SCOPE OF AUDIT

The Audit Team was able to audit partially the collections and deposits, because the Report of Collections and Deposits with supporting documents for the months of July to December were submitted late, and January to August were not yet submitted as of report date. Likewise, the Audit Team was able to audit only the submitted Disbursement Vouchers for General Fund for the period of January – June, 2014, due to non-submission of the following documents as of report date: a) Report of Checks Issued and all financial reports with supporting documents for Special Education Fund and Trust Fund for the months of January – December, 2014, and b) All Financial Statements for CY 2014.

INDEPENDENT AUDITOR'S OPINION

The auditor has no basis to render an opinion since the agency has not submitted the financial statements as of December 31, 2014.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

A. Financial and Compliance Audit

1. The Municipal Accountant failed to submit to the Audit Team the financial statements and supporting schedules for CY 2014 contrary to Section 347 of R. A. 7160, Section 7.2.1.a of COA Circular No. 2009-006 and Section 4.1 of COA Circular No. 2010, thus preventing the timely audit/review of the financial statements and to render audit opinion on the financial statements.
2. Management failed to submit Report of Checks Issued for the year 2014 and to render accounts for July to December 2014 contrary to Section 107 of PD 1445, Section 6, COA Circular No. 95-006, and Section 55 of the NGAs Manual for LGUs, thus the validity, regularity, and propriety of the transactions could not be ascertained.
3. Payment of wages of casual/job order employees totaling P196,290.00 were not supported with Accomplishment Reports contrary to Section 4 (6) of PD 1445 and COA Memorandum 2012-010 dated October 17, 2012, thus causing difficulty in determining the validity of claims.
4. Various disbursements totaling P1,526,377.45 were not adequately supported with proper documentation contrary to Section 4 (6) of PD 1445 and relevant provisions of COA Circular 2012-001 dated June 14, 2014 and RA 9184, 6th Edition, thus the validity/legality of the transactions were doubtful.

B. Local Disaster Risk Reduction and Management Fund (LDRRMF)

5. Monthly Reports on the Receipt and Utilization of LDRRMF, Disbursement Vouchers, Official Receipts, Journal Entry Vouchers, Liquidation Reports and required financial reports in relation to Local Disaster Risk Reduction and Management Fund for CY 2014 were not submitted by the Municipal Treasurer and Accountant, thus depriving management of timely and relevant audit results to support significant management decisions.

C. Audit of Funds and Activities for Gender and Development (GAD)

The agency did not submit the GAD Plan and Budget for CY 2014.

D. Audit of Environmental Protection and Waste Management Program

The LGU did not comply with the minimum standards and requirements for segregation and storage of solid waste.

E. Compliance with Tax Laws

For January to June 2014, management complied with BIR Revenue Regulation No. 10-2008 dated July 8, 2008 and remitted taxes withheld from compensation, expanded final VAT and government money payments together with a copy of the Summary of Tax Withheld (STW) as support to the Tax Remittance Advice (TRA) duly certified by the Accountant and approved by the Head of Agency or his duly authorized representative withheld taxes from claims for payment of suppliers/contractors and compensation of employees and remitted the same. The disbursement vouchers for July to December 2014 were not submitted for audit as of report date.

F. Compliance with PDAF Decision

The Municipality did not receive any Priority Development Assistance Fund (PDAF).

STATEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES (SASDC)

The total audit suspensions, disallowances and charges issued in the course of audit of various transactions of the Municipal Government of Hernani, Eastern Samar, as of December 31, 2014 amounted to P0.00 as shown in Annex A.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the twelve (12) recommendations embodied in the CY 2013 Audit Report, three (3) were fully implemented while nine (9) were not implemented.

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PART I - FINDINGS AND RECOMMENDATIONS

Financial and Compliance Audit

1. **The Municipal Accountant failed to submit to the Audit Team the financial statements and supporting schedules for CY 2014 contrary to Section 347 of R. A. 7160, Section 7.2.1.a of COA Circular No. 2009-006 dated September 15, 2009, Section 4.1 of COA Circular No. 2010-001 dated March 2, 2010, and Sections 70 and 73, Volume I of the Manual on the New Government Accounting System (NGAS) for Local Government Units.**

The Municipal Accountant, Municipal Treasurer and Municipal Budget Officer are mandated to render their accounts and submit financial reports and statements to the Auditor, under the following laws, rules and regulations:

1. Section 347 of R. A. 7160 (The Local Government Code of 1991):

“Local treasurers, accountants and other local accountable officers shall render their accounts within such time, in such form, style, and content and under such regulations as the COA may prescribe.” (Underscoring Supplied)

2. Section 7.2.1.a of COA Circular No. 2009-006 dated September 15, 2009:

“7.2.1. The Chief Accountant, Bookkeeper or other authorized officials performing accounting and/or bookkeeping functions of the audited agency shall ensure that:

*a) the reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and **submitted to the Auditor within the first ten (10) days of the ensuing month;**”* (Emphasis Ours)

3. Section 4.1 of COA Circular No. 2010-001 dated March 2, 2010:

*“The Accountants shall submit to the auditor the year-end FS and schedules required in 2.0 above **on or before February 14 of each year.** Xxx”* (Underscoring and Emphasis Supplied)

4. Sections 70 and 73, Volume I of the Manual on the New Government Accounting System for Local Government Units:

“Sec. 70. Pre-Closing Trial Balance. Xxxx

Monthly pre-closing trial balance for each fund shall be submitted not later than the twentieth day after the end of the month. It shall be supported by the Status of Appropriations, Allotments and Obligations, for both the current and continuing appropriations.”

“Sec. 73. Interim Reports. Xxxx The following interim financial statements and the Notes to Financial Statements shall be prepared and submitted quarterly:

- a) Balance Sheet;*
- b) Statement of Income and Expenses; and*
- c) Statement of Cash Flows” (Underscoring Supplied)*

We observed that during the year the Municipal Accountant was not able to submit the financial statements with the supporting documents and Trial Balances despite our constant verbal and written follow-ups.

During the exit conference the Municipal Accountant explained that the non-submission of the reports of the Municipal Treasurer hindered her preparation of the financial statements. Nevertheless, she committed to submit the financial reports not later than February 11, 2014. However, up to the request date, she was not able to submit them.

The Team reminded the management through a letter dated February 2, 2015 the submission of the complete set of financial statements and a Demand Letter was sent through registered mail on March 17, 2015. For details, see Annexes F, G and H.

2. Management failed to submit Report of Checks Issued, Report of Disbursements, Report of Collections and Deposits with supporting documents for CY 2014 and to render accounts for July to December 2014 contrary to Section 107 of PD 1445, Section 6, COA Circular No. 95-006, and Section 55 of the NGAs Manual for LGUs, thus the validity, regularity, and propriety of the transactions could not be ascertained.

Section 107 of Presidential Decree No. 1445 basically provides that: “Time and Mode of Rendering Accounts. – In the absence of specific provision of law, all accountable officers shall render their accounts, submit their vouchers, and make deposits of money collected or held by them at such times and in such manner as shall be prescribed in the regulation of the Commission.”

Salient provisions of Section 6, COA Circular 95-006 dated May 18, 1995 prescribes the following duties and responsibilities of agency officials:

- 6.01 Pre-audit activities shall henceforth be considered as part of the agency’s accounting and fiscal control process. Being a primary responsibility of the agencies, an adequate internal control system shall be instituted in order to achieve economy, efficiency, and effectiveness in the management and utilization of the agency resources.
- 6.03 Accountable officers shall submit the records receipts, disbursements, expenditures, operations, and all other transactions together with the

- supporting documents, to the Chief Accountants in the manner and within the time frame prescribed in existing rules and regulations.
- 6.04 Disbursing officers in particular shall faithfully comply with Section 100 of PD 1445 and accordingly render monthly reports of their transactions pursuant to existing auditing regulations not later than the fifth day of the ensuing month to the auditor concerned.
- 6.05 The official involved in the daily recording of transactions in the books of accounts shall turn over the receipts and the disbursement records with all paid vouchers and documents evidencing the transaction to the Auditor within ten (10) days from date of receipt of said documents.

Sections 55 of the NGAS Manual for LGUs states: “Sec. 55. Report of Checks Issued. – (Annex 47) shall be prepared by the Cashier/Disbursing Officers daily to report checks issued during the period including cancelled ones.

Post audit of submitted financial transactions and verification of available records revealed that some disbursement vouchers remain unsubmitted as of date. These vouchers include all Disbursement Vouchers from July to December 2014. Reports of Checks Issued for the whole year of 2014 were also not submitted to the Audit Team (*see Annexes B & C*).

The absence of the required disbursement vouchers cast doubts on the validity, regularity, and propriety of the transaction.

During the Exit Conference on February 4, 2015, the Municipal Accountant commented that the delay in the rendition of accounts and the submission of the required reports are due to the Municipal Treasurer’s delay in the transmission of his reports to the Accounting office. The Municipal Mayor agreed to call the attention of the OIC-Municipal Treasurer regarding the performance of his functions. Management further commented that they will comply the recommendation in year 2015

Require the Municipal Treasurer and the OIC Municipal Accountant to submit immediately all financial reports, Disbursement Vouchers, and Report of Checks Issued. Henceforth management should see to it that the provisions of Section 107, PD 1445 and COA Circular No. 95-006 dated May 18, 1995 and Section 50 of the NGAs Manual for LGUs, be strictly followed/complied by close supervision and coordination of concerned officers and employees to avoid recurrence of stated adverse observation.

- 3. Payment of wages of casual/job order employees totaling P196,290.00 were not supported with Accomplishment Reports contrary to Section 4 (6) of PD 1445 and COA Memorandum 2012-010 dated October 17, 2012, thus causing difficulty in determining the validity of claims.**

Section 4 (6) of PD 1445 states that:“Claims against government funds shall be supported with complete documentation.”

In addition, Section 1 par. 1.3 sub-par.(a) 2 & 4 of COA Memorandum 2012-010 on payments to casuals, job order, contractuales and consultants specifically requires the submission of Statement of Duties and Responsibilities and Accomplishment Reports of casual and job orders.

Our verification of Disbursement Vouchers received of payments to casuals/job order employees totalling P196,290.00 (*see Annex D*) were not properly supported with accomplishment reports as required by the aforementioned regulations.

Despite the inadequate supporting document to the above transactions, the claims was still paid, thus causing difficulty in establishing the validity of claims.

Management committed to comply with the documentary requirements on payment to casual and job order employees.

Require the OIC-Municipal Accountant to submit immediately the Accomplishment Reports for audit. Henceforth, management should see to it that provisions of the cited regulations be strictly followed/complied by full coordination/supervision of the officers/employees. Likewise, refrain from processing claims without complete supporting documents to establish their validity, regularity and propriety.

- 4. Various disbursements totaling P1,526,377.45 were not adequately supported with proper documentation contrary to Section 4 (6) of PD 1445 and relevant provisions of COA Circular 2012 and RA 9184, thus the validity/legality of the transactions were doubtful.**

Section 4 (6) of PD 1445 states that:“Claims against government funds shall be supported with complete documentation.”

Likewise, Section 9.1.1 of COA Circular 2012-001 dated June 14, 2012 enumerates the common documentary requirements common to all progress/final payments of infrastructure transactions:

- a. Statement of Work Accomplished/Progress Billing
- b. Inspection Report by the Agency’s authorized Engineer
- c. Statement of Time Elapsed
- d. Monthly Certificate of Payment
- e. Contractor’s Affidavit on Payment of laborers and materials
- f. Pictures, before, during and after construction of items of work
- g. Photocopy of vouchers of all previous payments
- h. Certificate of Completion

Moreover, Section 9.1.1.4 of the same circular enumerates the following additional requirements for final payment of infrastructure projects:

- a. As-Built Plans
- b. Warranty Security

- c. Clearance from the Provincial Treasurer that the corresponding sand and gravel fees have been paid.
- d. Copy of turnover documents/transfer of project and facilities such as motor vehicle, laptops, other equipment and furniture included in the contract to concerned government agency.

Likewise, Section 9.1.3.1 of the same COA Circular enumerates the common documentary requirements common to all purchases of supplies, materials, equipment and motor vehicles:

- a. Original copy of dealer's/supplier's invoices showing the quantity, description of articles, unit and total value, duly signed by the dealer or his representative, and indicating receipt by the proper agency official of items delivered.
- b. Inspection and Acceptance report prepared by the Department/Agency property inspector and signed by the head of Agency or his authorized representative
- c. For equipment, Acknowledgement Receipt of Equipment
- d. Warranty Security for a minimum period of three months, in the case of expendable supplies, or a minimum period of one year in case of non-expendable supplies, after acceptance by the procuring entity of the delivered supplies
- e. Duly approved purchase request
- f. Such other documents peculiar to the contract and/or to the mode of procurement and considered necessary in the auditorial review and technical evaluation thereof.

Our audit of transactions relating to various disbursements of the LGU revealed that some disbursements for infrastructure projects totalling P1, 526,377.45 and procurement of various supplies totalling P6,661.00 were paid despite incomplete and improperly accomplished documentary requirements. *(See Annex E for details).*

Management committed to submit the lacking documents and to comply with COA Circular 2012-001 on their future disbursements.

Require the Municipal Treasurer and the OIC Municipal Accountant to submit immediately the lacking documents to the Audit Team for audit. Henceforth, management should see to it that the provisions of Section 4 (6) of PD 1445 and relevant provisions of COA Circular 2012-001 dated June 14, 2014 and RA 9184 be strictly followed/complied. Likewise, refrain from processing claims which are not supported with complete documentary requirements.

B. Local Disaster Risk Reduction and Management Fund (LDRRMF)

- 5. Monthly Reports on the Receipt and Utilization of LDRRMF, Disbursement Vouchers, Official Receipts, Journal Entry Vouchers, Liquidation Reports and required financial reports in relation to Local Disaster Risk Reduction and Management Fund for CY 2014 were not submitted by the Municipal Treasurer and Accountant, contrary to A.1 and B, Part V of COA Circular 2014-002 dated**

April 15, 2014, Section 347 of RA 7160, Section 100 of PD 1445, COA Circular 95-006 dated May 18, 1995, and other pertinent sections of the NGAS Manual for LGUs, thus depriving management of timely and relevant audit results to support significant management decisions.

Paragraph A.1, Part V (Reporting Guidelines) of COA Circular 2014-002 dated April 15, 2014 state “The national and local government agencies with DRRMF allocation from the GAA and/or cash donations received from local and/or foreign sources shall prepare and submit to NDRRMC through the Office of the Civil Defense (OCD), on the 5th day following the end of each month, the Report on the Receipt and Utilization of the DRRMF sourced from GAA (Annex H) and Report on the Receipt and Utilization of Cash Donations (Annex I). The reports shall be furnished the respective COA Auditor”

Paragraph B, Part V (Reporting Guidelines) of COA Circular 2014-002 dated April 15, 2014 state “The Donee-Agency shall prepare monthly reports on the receipt and distribution/utilization/issuance of in-kind donations. Separate reports (Annexes N and O) shall be prepared for relief goods and PPE based on the Registry of Donated Relief Goods for DRRM and Property Cards, respectively. The reports shall be submitted to the OCD, copy furnished the COA Auditor, on or before the 10th day of the ensuing month until all donations are fully consumed/utilized.”

Section 444 (b.1(x)), RA 7160 provides that “the Municipal Mayor shall ensure that all executive officials and employees of the municipality faithfully discharge their duties and functions as provided by law and the Code, and cause to be instituted administrative or judicial proceedings against any official or employee of the municipality who may have committed an offense in the performance of his official duties”.

Section 347, Chapter 4, Title V, Book II of RA 7160 states that “Local treasures, accountants and other local accountable officers shall render their accounts within such time, in such form, style, and content under such regulations as the Commission on Audit may prescribe.”

Section 100 of PD 1445 mandates that Disbursing Officers in any government agency to render monthly reports of their transactions pursuant to regulations of the Commission on Audit to be submitted not later than the 5th day of the ensuing month to the Auditor concerned.

Corollary to this, Section 6 of COA Circular No. 95-006 dated May 18, 1995, states the following duties and responsibilities of agency officials:

- a) Accountable officers shall submit the records of receipts, disbursements, expenditures, operations, and all other transactions, together with the supporting documents, to the Chief Accountant in the manner and within the timeframe prescribed in existing rules and regulations (Section 6.03);

- b) Disbursing Officers in particular shall faithfully comply with Section 100 of PD 1445 which require them to render monthly reports of their transactions pursuant to existing auditing regulations not later than the 5th day of ensuing months to the Auditor concerned (Section 6.04); and
- c) The official involved in the daily recording of transactions in the books of accounts shall turn-over the receipts and the disbursements records with all paid vouchers and documents evidencing the transactions to the auditor within ten (10) days from date of receipt of said documents (Section 6.05)

The NGAS Manual for LGUs prescribes the following reports to be submitted for audit within the specified period:

- a) Report of checks issued ;
- b) Report of disbursements ;
- c) Liquidation report for cash advances for travel and for other purposes ;
- d) Report of collections and deposits;
- e) Bank reconciliation statements;
- f) Monthly summary of supplies and materials issued;
- g) Monthly report of fuel consumption;
- h) Report on the Physical Count of Inventories;
- i) Report on the Physical Count of Property Plant, and Equipment

Our review on the submitted accounts and reports by the LGUs in relation to receipts and utilization of the LDRRMF revealed that the following documents and reports were not yet submitted to our office as of the AOM date despite demands thru a Letter Request dated December 18, 2014 which was delivered on the same day and duly received by management:

- 1.) Monthly Report on the Receipt and Utilization of the LDRRMF (for 12 months)
- 2.) Monthly Reports on the Receipt and Distribution/Utilization/Issuance of in Kind Donations (for 12 months)
- 3.) RCI/ ROD for all transactions relative to the procurement of typhoon Ruby, Yolanda and other declared calamities for CY 2014.
- 4.) RCD for all cash receipts/donations relative to Typhoon Ruby, Yolanda and other declared calamities for CY 2014.
- 5.) Pictures/ Documents on warehousing/storage of goods relative to Typhoon Ruby, Yolanda and other declared calamities for CY 2014.
- 6.) Pictures/ Documents for the distribution of goods relative to the procurement of typhoon Ruby, Yolanda and other declared calamities for CY 2014.
- 7.) Accounting Records for LDRRM Fund - JEV, Journals, Property and Equipment Ledger Cards, Supplies Ledger Cards per sources of Funds
- 8.) Property Records relative to LDRRM – Acknowledgement Receipt of Equipment, Property Cards, Stock Cards, Requisition and Issue Slips, Summary of Issued Relief Goods with the following columns: Name of Beneficiary, Complete Address, Items, Unit of Measure, Quantity.

The unreasonable delay and management's failure to submit the records, accounts and other financial reports within the reglementary period may ultimately result in the issuance of notices of disallowance/suspension or charge considering that the violations committed are contrary to law and regulation.

During the exit conference, the management committed to submit all lacking documents related to Local Disaster Risk Reduction and Management Fund not later than February 12, 2015.

Direct the LGU officials concerned to submit immediately the abovelisted reports with complete supporting documents. Henceforth, strictly comply the aforecited provisions of the law and regulations.

Management should impose the applicable administrative and penal sanctions provided for by the said provisions against the erring officials if warranted under circumstances.

C. Audit of Funds and Activities for Gender and Development (GAD)

The agency did not submit the GAD Plan and Budget for CY 2014.

D. Audit of Environmental Protection and Waste Management Program

The LGU did not comply with the minimum standards and requirements for segregation and storage of solid waste.

E. Compliance with Tax Laws

For January to June 2014, management complied with BIR Revenue Regulation No. 10-2008 dated July 8, 2008 and remitted taxes withheld from compensation, expanded final VAT and government money payments together with a copy of the Summary of Tax Withheld (STW) as support to the Tax Remittance Advice (TRA) duly certified by the Accountant and approved by the Head of Agency or his duly authorized representative withheld taxes from claims for payment of suppliers/contractors and compensation of employees and remitted the same. The disbursement vouchers for July to December 2014 were not submitted for audit as of report date.

F. Compliance with PDAF Decision

The Municipality did not receive any Priority Development Assistance Fund (PDAF).

**STATEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES
(SASDC)**

The total audit suspensions, disallowances and charges issued in the course of audit of various transactions of the Municipal Government of Hernani, Eastern Samar, as of December 31, 2014 amounted to P0.00 as shown in Annex A.

**PART II - STATUS OF IMPLEMENTATION OF PRIOR YEARS'
RECOMMENDATIONS**

Of the twelve (12) recommendations embodied in the CY 2013 Audit Report, three (3) were fully implemented while nine (9) were not implemented.

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
The year-end financial statements and schedules, disbursement vouchers with supporting documents, collection reports and official receipts, and other financial reports representing agency transactions for the period July to December 2013 were not submitted for review, evaluation and audit, contrary to Section 347 of R. A. 7160, Section 122 of P. D. 1445, Section 7.2.1.a of COA Circular No. 2009-006 dated September 15, 2009, Section 4.1 of COA Circular No. 2010-001 dated March 2, 2010, and Sections 70	Require the Municipal Accountant and other concerned officials to adhere strictly to the aforesaid provisions in the submission of financial reports and statements, and to submit immediately their request for writing off of accountabilities supported with notice of loss and inventory of documents and to file their request for relief from accountability for properties that were lost or destroyed due to the aftermath of the super typhoon Yolanda (Haiyan).	AAR, CY 2013		Not Implemented	Reiterated in Part I of this Report.

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
and 73, Volume I of the Manual on the New Government Accounting System (NGAS) for Local Government Units.					
Government projects undertaken by the local government in CY 2013, whether funded from their local budget or financial assistance or grants from other national agencies, were not reported to our Office in the manner and form prescribed in Sections 2.0 and 3.1 of COA Circular No. 2013-004 dated January 30, 2013, thus resulting to the delays in the reporting and validation of the projects.	Require the Municipal Engineer and other concerned officials to adhere strictly to the provisions of COA Circular No. 2013-004 dated January 30, 2013 to enable the Audit Team to undertake prompt validation of the projects.	AAR, CY 2013		Implemented	
Procurement of construction materials, in the total amount of P52,966.08, for	Observe strictly the provisions of R. A. 9184 and its Revised IRR.	AAR, CY 2013		Not Implemented	No response submitted, however during Exit Conference management

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>the construction of MDRRMC office was artificially divided into two Purchase Requests and paid in two separate vouchers, apparently to make the transaction qualify under the alternative mode of shopping contrary to Section 54.1 of the Revised IRR of R. A. 9184.</p>					<p>committed that they will follow strictly the provisions of RA 9184 in future procurement.</p>
<p>Unlimited mobile expenses were reimbursed on prepaid and postpaid plans of officials and employees without duly observing the provisions of COA Circular No. 2012-003 dated October 29, 2012 thus, may prejudice the fund requirement of more important programs of the LGU and its delivery of basic services.</p>	<p>Stop immediately the wrongful practice of allowing actual unlimited reimbursements for mobile expenses.</p> <p>Adopt formal policy setting the rule on: the position titles of officials entitled to mobile expenses and the monthly limit that each qualified official may be entitled.</p>	<p>AAR, CY 2013</p>		<p>Implemented</p>	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>The existence and validity of Property, Plant & Equipment (PPE) accounts totalling ₱27,517,229.80 as of December 31, 2012, could not be established due to the failure of management to conduct the annual physical count of its properties, contrary to Section 124 of the NGAS Manual for LGU, Volume 1, and the possible inclusion in the asset account of unserviceable properties subject for disposal.</p>	<p>Create a committee to conduct the annual physical count of all PPE and to prepare and submit the RPCPPE;</p> <p>Direct the Municipal Accountant to reconcile the PPE account ledger balances with that of the RPCPPE; and</p> <p>Direct the Municipal Accountant and/or Property Officer to prepare the I & I report of all Unserviceable Properties prior to the conduct of disposal, if any.</p>	<p>AAR, CY 2012</p>		<p>Not Implemented</p>	<p>No reasons given, however the Municipal Accountant committed to look into this matter.</p>
<p>The accuracy and reliability of the balance of the Cash in Bank – Local Currency, Current Account (LCCA) in the amount of P5,712,482.08 as of December 31, 2012 could not be</p>	<p>Instruct the Municipal Accountant to prepare and submit monthly bank reconciliation statements in order to present a reliable balance of the Cash in Bank – LCCA account.</p>	<p>AAR, CY 2012</p>		<p>Not Implemented</p>	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
ascertained due to the non-preparation of the Bank Reconciliation Statements, contrary to Sections 3.2, 3.3 and 3.4 of COA Circular No. 96-011 dated October 2, 1996.					
Intelligence and Confidential Funds granted to Mayor Edgar C. Boco, totaling P76,000.00, were immediately taken up as Intelligence Expenses (882), instead of recording it as Advances to Officers and Employees (148), contrary to COA Circular No. 2003-003 dated July 30, 2003, thus monitoring the utilization of the funds could not be made and may expose the funds to possible misuse.	<p>Instruct the Municipal Accountant to reclassify the accounts and make necessary adjusting entry to record the same as Advances to Officers and Employees.</p> <p>Adhere strictly to the provisions of COA Circular No. 2003-003 dated July 30, 2003 in the liquidation of the cash advance.</p>	AAR, CY 2012		Not Implemented	No reasons given, however during the Exit Conference, LCE committed to follow strictly COA Circular No. 2003-003 in future disbursement of Intelligence Fund and he committed to refund immediately the amount of P76,000.00.
Management	Instruct all	AAR,		Implemented	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>failed to formulate its Gender and Development (GAD) Plan duly approved by the Commission On Women and allocate at least 5% of their budget for Calendar Year 2012 contrary to R.A. No. 7192, Executive Order 273, Joint Circular No. 2004-1 dated April 5, 2004, and the General Appropriations Act (GAA) for FY 2012 (R.A. 10155), thus gender issues and concerns affecting the full development of women may not have been addressed.</p>	<p>concerned LGU officials to formulate and prepare the GAD Plan and Budget to insure that funds are allocated for the implementation of Gender and Development programs/projects.</p>	<p>CY 2012</p>			
<p>The Municipal Accountant and Municipal Treasurer did not maintain appropriate ledger cards, and property cards, respectively, and that no physical</p>	<p>We recommended that the Municipal Accountant and the Municipal Treasurer be required to maintain appropriate ledger cards, and property cards, respectively. Likewise, the Local Chief</p>	<p>AAR, CY 2011</p>		<p>Not Implemented</p>	<p>No reasons given, however the Municipal Accountant committed to comply the recommendation in year 2015.</p>

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
inventory was conducted on the LGU's Property, Plant and Equipment valued at P23,113,363.24, contrary to section 114 and 124 of the NGAS Manual for LGU's, Volume I, thus the accuracy of the recorded assets was not ascertained and their existence was not established.	Executive should ensure that physical inventory taking is conducted periodically.				
The total appropriation for personal services exceeded the budgetary limitations by P3,456,603.90 or 18.09% in violation of adequate budget for maintenance and other operating expenses and needed development project.	The Local Chief Executive should limit the appropriations for personal services to 55% of the total annual income from regular sources of the next the municipality and the community as a whole.	AAR, CY 2009		Not Implemented	No reason given. Management promised to comply this recommendation in the future.
Management failed to submit approved copies of contracts/purchase order, and notices of	Copies of the perfected contracts/purchase orders should be submitted within five (5) days after the	AAR, CY 2009		Not Implemented	During the Exit Conference, the BAC Chairman committed to comply this recommendation in year 2015.

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
deliveries for additional review and evaluation contrary to the mandates of COA Circular No. 2009-001.	execution/issuance .				
The validity of Land, Land Improvements and Building accounts valued P9,872,463.10 could not be ascertained due to lack of property cards, subsidiary ledgers and certificate of title contrary to Section 23(2), Title I, Book V, 1987 Administrative Code.	We recommended strict compliance to Section 23(2), Title I, Book V, 1987 Administrative Code.	AAR, CY 2008	None	Not Implemented	No reasons given. The LCE informed the Audit Team that the Municipal Hall will be relocated to another place and the Property Officer requested the LCE to let him attend the Property and Supply Management Seminar so he could implement the recommendation on the maintenance of the property records.

PART II – ANNEXES

Annex A – Statement of Audit Suspensions, Disallowances and Charges

Annex B – Monitoring of Submission of DVs and its Supporting Documents

Annex C – Monitoring of Submission of RCI

Annex D – Payment to Casual/Job Order Employees

Annex E – Disbursements with Incomplete or Improperly Accomplished Documentary Requirements

Annex F – Letter dated February 2, 2015 to Mayor Edgar C. Boco

Annex G – Letter dated February 23, 2015 to Mayor Edgar C. Boco

Annex H – Letter dated March 17, 2015 to Mayor Edgar C. Boco

Annex I -Attendance Sheet of Audit Exit Conference



Date: January 9, 2015

**STATEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES
 AND CHARGES (SASDC)**

For All Funds Audited
 For the Period Ending December 31, 2014

APPROVED BY THE CHIEF OF BUREAU
1/16/15

Hon. Edgar C. Boco
 Municipal Mayor
 LOU, Hermati, Eastern Samar

Attention: Ma. Sylvia E. Almanza
 Municipal Accountant

Please be informed that the total audit suspensions, disallowances and charges found in audit of various transactions of that agency, as of December 31, 2014 is **P 0.00**, based on the Notice of Suspensions (NS)/Notice of Disallowance (ND)/Notice of Charge (NC) issued by this Commission, as summarized hereunder:

A.

	Beginning Balance (As of Sept. 30, 2014)	This Period As of Oct. 1 – Dec. 31, 2014		Ending Balance (As of Dec. 31, 2014)
		NS/ND/NC	NSSDC	
Notice of Suspension	P 0.00			P 0.00
Notice of Disallowance		-		-
Notice of Charge		-		-
Total	P 0.00			P 0.00

B. - DETAILS OF SUSPENSIONS, DISALLOWANCES AND CHARGES
 For the period Oct. 1 – Dec. 31, 2014

NSSDC		PAYEE/PAYOR	AMOUNT			
Date	No.		Disallowed	Charged	Suspended	Settled
TOTAL						

Note: Transaction documents were examined applying sampling methodology:

NS/ND/NC issued prior to effectivity of the RSA are not included in the reflected balance but are deemed disallowances/charges which shall continue to be enforced in accordance with these rules as provided under Section 28 hereof.

[Signature]
LITO B. ALMERIA
 Audit Team Leader

[Signature]
DAMIANA B. PELIÑO
 Supervising Auditor

Copy furnished
 The Regional Director
 COA Region VIII
 Candahug, Palo Leyte

Received:
[Signature]
 1/14/15

Annex B

Municipality of Hernani

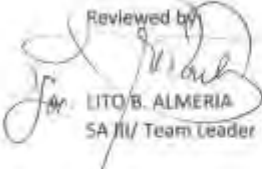
WP:-Monitoring of Submission of DVs and Its Supporting Documents


Calendar Year 2014

Due Date: Every 10th day of the ff month

Month	GF		TF		SEF		Audit Notes/Remarks
	Date Submitted	No. of Days Delayed (Calendar Days)	Date Submitted	No. of Days Delayed (Calendar Days)	Date Submitted	No. of Days Delayed (Calendar Days)	
January	11-Nov-14	276	11-Nov-14	276	11-Nov-14	276	
February	11-Nov-14	248	11-Nov-14	248	11-Nov-14	248	
March	11-Nov-14	217	11-Nov-14	217	11-Nov-14	217	
April	11-Nov-14	187	11-Nov-14	187	11-Nov-14	187	
May	11-Nov-14	156	11-Nov-14	156	11-Nov-14	156	
June	11-Nov-14	126	11-Nov-14	126	11-Nov-14	126	
July							No Submission
August							No Submission
September							No Submission
October							No Submission
November							
December							

Submit the Audit Notes: (Criteria, condition, effect and cause)

Reviewed by:

 LITO B. ALMERIA
 SA III/ Team Leader

Prepared by:

 RHOMA LEANN D. CABIDOG
 SAE II/ Team Member

Annex C

Municipality of Hernani

WP: Monitoring of Submission of RCI

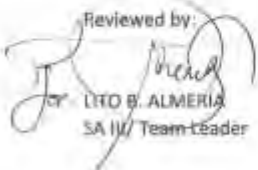
Calendar Year 2014

Due Date: Every 10th day of the ff month

Month	GF		TF		SEF		Audit Notes/Remarks
	Date Submitted	No. of Days Delayed (Calendar Days)	Date Submitted	No. of Days Delayed (Calendar Days)	Date Submitted	No. of Days Delayed (Calendar Days)	
January							No Submission
February							No Submission
March							No Submission
April							No Submission
May							No Submission
June							No Submission
July							No Submission
August							No Submission
September							No Submission
October							No Submission
November							
December							

Submit the Audit Notes: (Criteria, condition, effect and cause)

Reviewed by:



LITO B. ALMERIA
SA II/ Team Leader

Prepared by:



RHOMA LEAH D. CABIDOG
SAE II/ Team Member

Annex D

Municipality of Hernani
 Payment to Casual/Job Order Employees
 2014

Payee	Nature of Transactions	Check			Remarks/ Lacking Documents
		Date	No.	Amount	
Ramon I. Antipolo, Jr.	CA for Wages of SB Casuals	5/12/2014	687131	18,240.00	Accomplishment Report.
Ramon I. Antipolo, Jr.	CA for Wages of KALAHI-CIDSS Staff	5/12/2014	687132	24,200.00	Accomplishment Report.
Ramon I. Antipolo, Jr.	CA for Wages of Casual Employees	3/17/2014	687036	148,090.00	Accomplishment Report.
Nerissa Guab	Payment of wages as Job Order Employee	1/13/2014	686932	3,680.00	Accomplishment Report.
Concepcion B. Aguinaldo	Payment of wages as Job Order Employee	1/13/2014	686923	2,080.00	Accomplishment Report.
				196,290.00	

Prepared by:



Rhoma Leahn D. Cabidag
 SAE II

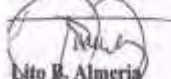
Annex E

Municipality of Hernani


Disbursements with Incomplete or Improperly Accomplished Documentary Requirements
2014

Payee	Nature of Transactions	Check			Remarks/ Lacking Documents
		Date	No.	Amount	
Infrastructure					
Pablo S. Lasabas Construction	First and Final Payment for Construction/Rehabilitation of Padang/Nagaja FMR (phase 1)	2/14/2014	686983	809,015.90	Letter Request from Contractor, Statement of Work Accomplished/ Progress Billing, Contractor's Affidavit on payment of laborers and materials, as-built plans, warranty security
Borongan MBC	Final billing for the Construction/Rehabilitation of Padang-Nagaja FMR (phase 2)	1/10/2014	686921	178,430.30	Letter Request from Contractor, Inspection Report by the Agency's authorized Engineer, Statement of Work Accomplished/ Progress Billing, Contractor's Affidavit on payment of laborers and materials, pictures, photocopy of vouchers of all previous payments, as-built plans, warranty security, clearance from provincial Treasurer that the corresponding sand and gravel fees have been paid.
Borongan MBC	First Billing for the Construction of Temporary Shelter	2/10/2014	686955	538,931.25	Letter Request from Contractor, Contractor's Affidavit on payment of laborers and materials, pictures
Subtotal				1,526,377.45	
Goods					
Marriane Ecleo	Payment for Supplies Used for Rural Health Officer	1/13/2014	686933	6,661.00	Sales Invoice.
Subtotal				6,661.00	
GRAND TOTAL				1,526,377.45	

Reviewed by:


Eto B. Almeria
SA III Team Leader

Prepared by:


Rhona Leah D. Cabidog
SAE II



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

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
OFFICE OF THE SUPERVISING AUDITOR
AUDIT GROUP I EASTERN SAMAR
RECEIVED

02/13/2015
DATE

[Handwritten signature]

LGS A – EASTERN SAMAR PROVINCE
Capitol Site, Borongan City

February 2, 2015

Hon. Edgar C. Booc
Municipal Mayor
Herran, Eastern Samar

- Attention: Ms. Sylvia E. Almazan
Municipal Accountant
- Mr. Ramon I. Antipolo
Municipal Treasurer
- Mr. Adelfo B. Abella
Municipal Budget Officer

Sir:

Please be reminded that the legal deadline for the submission of Trial Balances, Statement of Management Responsibility on the Financial Statements, Financial Statements and its complete supporting documents/schedules, such as Aging of Cash Advances, Aging of Receivables, Aging of Payables, SAOB, etc. is on February 14, 2015. In the sense that date is on Saturday, please submit them on or before February 13, 2015.

Thank you very much in advance for submitting the stated financial reports on or before February 13, 2015.

MORE POWER AND GOD BLESS!

Very truly yours,

[Handwritten signature]
DAMIANA R. PELIÑO
Supervising Auditor

Copy furnished:

Atty. Marcelo C. Jr.
Regional Director

Ms. Adeline Nevada
Assistant Regional Director

[Handwritten notes and stamps]
10/13
REC'D
2-13-15



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. VIII
Office of the Audit Team Leader
Team 4, Audit Group LGS-A – Eastern Samar Province
Capitol Site, Borongan, Eastern Samar

February 23, 2015

Hon. Edgar C. Boco
Municipal Mayor
Municipality of Hernani

Attention: Ms. Syviva Almazan
Municipal Accountant

Mr. Ramon I. Antipolo
OIC-Municipal Treasurer

Mr. Adelfo B. Abella
Municipal Budget Officer

Sir:

This has reference to the attached letter dated February 2, 2015 of our Supervising Auditor requiring your office to submit the Financial Statements on or before February 13, 2015, which up to this date, the said financial statements were not yet submitted despite of constant verbal follow-ups.

In view of thereof, final demand is hereby made that the complete set of Financial Statements be submitted to our office immediately within one (1) day from receipt hereof. Thank you very much.



Very truly yours,

RUBEN T. MURILLO
SA-II/ATM

Noted by:
MS. DAMAINA B. PELINO
Supervising Auditor

CC:
The Regional Director
CSC Regional Office No. 8
DILG Regional Office No. 8

REGISTRY RECEIPT

Post Office _____
Letter/Package No. 918
Posted on 23 20
Preserve this receipt for reference in case of inquiry
30 02 2015
Postmaster/Teller

Post Office REGISTRY MAIL
 Letter/Package No. 95
 Posted on MAR 17 2015 20
 Preserve this receipt for reference in case of inquiry

DO BUNYABAY
 Postmaster/Teller

Republic of the Philippines
COMMISSION ON AUDIT
 Regional Office No. VIII
 Office of the Audit Team Leader
 Audit Group E – Eastern Samar Province
 Capitol Site, Borongan, Eastern Samar

March 17, 2015

Hon. Edgar C. Boco
Municipal Mayor
Municipality of Hernani
Province of Eastern Samar

Dear Mayor Boco,

This is in relation to the letters dated February 2, 2015 by our Supervising Auditor reminding the legal deadline for the submission of Financial Statements and dated February 23, 2015 of the undersigned regarding final demand for the submission of the complete set of Financial Statements within one (1) day from receipt of the said letter.

The said letter was sent thru Registry Mail on March 11, 2015 and received by the Municipal Accountant. However, as of the date of this letter, the said Financial Reports was not yet submitted to our office.

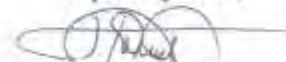
Section 122, paragraphs 1 and 2, of PD 144 states that: *"Whenever deemed necessary in the exigencies of the service, the Commission may under the regulations issued by it require the agency heads, chief accountants, budget officers, cashier, disbursing officers, administrative or personnel officers, and other responsible officials of the various agencies to submit trial balances, physical inventory reports, current plantilla of personnel, and such other reports as may be necessary for the exercise of its functions.*

(2) Failure on the part of the officials concerned to submit the documents and reports mentioned herein shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements of the Commission.

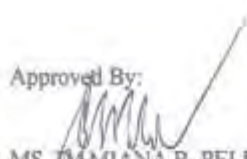
In view thereof, we are requiring your office the suspension of payment of the salaries of Municipal Accountant and OIC Municipal Treasurer starting this month (March 2015) until they have complied with the requirements of the Commission on Audit. This is without prejudice to any disciplinary action that may be instituted against them.

For strict compliance,

Respectfully Yours,


Ruben T. Marillo
 State Auditor II/ATM

Approved By:


MS. DAMIANA B. PELINO
 Supervising Auditor