

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Mangatarem was founded as a barrio of San Carlos in 1827 by the Dominican missionaries. In 1835, eight years after, it was inaugurated as a town. Mangatarem derived its name from the combination of the Ilocano words “Mangga ken Tirem”, which means “mango and oysters.” According to old folktales, the name “Mangatarem” was attributed to woodcutters who happened to meet each other in a forested area that is now the present site of the town. One of them had a mango as his viand while the other one had oyster. When both of them saw these, they exclaimed “Manga ken Tirem”, thus the name Mangatirem or Mangatarem.

A 1st class municipality, Mangatarem is composed of eighty-two (82) barangays with a total land area of 368,586 square kilometers. It is relatively uneven in physical features ranging from hilly to mountainous. Farming and livestock production are the major industrial forms where people derive their income.

The Municipality is headed by the Municipal Mayor Ramil P. Ventenilla and ably assisted by Vice Mayor Teodoro C. Cruz and the Sangguniang Bayan Members and the Municipal Department Heads and employees strive for the attainment of the Municipality’s total development and continues to provide its constituents with basic services such as social services, health services, economic services, environmental protection, tourism, peace and order, infrastructure and human resources development.

HIGHLIGHTS OF FINANCIAL INFORMATION

The Municipality’s assets, liabilities, and government equity as of Dec, 31, 2017 are as follows:

	2017
Assets	357,603,776.44
Liabilities	129,413,910.68
Government Equity	228,189,865.75

OPERATIONAL HIGHLIGHTS

In the promotion of social and economic development and delivery of basic services, the Municipality had the following significant accomplishments:

Project/Activities	Contract Amount	Status
Construction of Reinforced Concrete Deck Girder Bridge at Brgy. Muelag	4,498,735.42	Completed

Project/Activities	Contract Amount	Status
Construction and Rehabilitation of Drainage System Phase I at Gen Luna	1,523,479.885	Completed
Construction and Rehabilitation of Drainage System Phase II at Poblacion	2,994,965.43	Completed
Construction of Barangay Health Station at Barangay Salvante	998,695.48	Completed

SCOPE OF AUDIT

The Audit Team conducted financial and compliance audit on the accounts and operations of the Municipality of Mangatarem for the calendar year 2017. The audit was conducted to ascertain the fairness of the presentation of the financial statements and compliance of the municipality to existing laws, rules and regulations. It was also made to ascertain the accuracy of the financial records and reports. The audit consisted of review of operating procedures, interview of concerned government officials and employees, verification, reconciliation and analysis of accounts and such other procedures considered necessary. A Value for Money was also conducted to ascertain whether the implemented projects, programs were attained in an economical, efficient and effective manner.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

A qualified opinion has been rendered on the fairness of the presentation of the financial statements due to failure to conduct physical inventory and the General Services Officer and Accountant did not maintain the prescribed Property Cards and Property, Plant and Equipment Ledger Cards, thus the existence, accuracy and validity of Property, Plant and Equipment (PPE) account with a net book value of ₱271,007,114.04 as of year-end could not be ascertained. Due to the inadequacy of property and accounting records, we were not able to apply other alternative audit procedures to check the accuracy, validity and existence of the account.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following is the summary of significant findings and recommendations in the audit of the Municipality of Mangatarem, Pangasinan for calendar year 2017.

1. No physical inventory was conducted on Property, Plant and Equipment contrary to Section 156 of COA Circular No. 92-386. Likewise, the Municipal Treasurer and Accountant did not maintain the prescribed Property Cards and Property, Plant and Equipment Ledger Cards in disregard to the pertinent provisions of NGAS Manual for LGUs, thus the accuracy, validity and existence of the Property, Plant and

Equipment (PPE) account valued at P271,007,114.04 as of year-end could not be ascertained which affected the fair presentation of the financial statements.

We recommended that Management take the courses of action:

- a. Create an Inventory Committee and require the same to conduct physical inventory and render report thereon as required under Section 124, NGAS Manual for LGUs, Volume I and to regularly monitor the progress of the inventory taking;
 - b. Require the Committee, the General Services Office or Municipal Treasurer, as the case may be and the Municipal Accounting Office to reconcile all the inventory reports with the books of accounts; and
 - c. Require the designated Property Officer to maintain property cards and update them periodically to aid in the conduct of physical count and to solve or minimize the perennial of unreconciled Accounting and Property records.
2. Accounting and reporting of the LDRRMF did not conform to the pertinent provisions of RA 10121 and COA Circular No. 2012-002 dated September 12, 2012 due to the absence of LDRRMF Investment Plan for the unexpended LDRRMF of previous years and non-submission of the prescribed Report on Sources and Utilization, thus, the validity of the fund utilization and year-end balance could not be ascertained.

We recommended that Management instruct the MDRRMO to submit the Report on Sources and Utilization of DRRMF on or before the 15th day after the end of the month to the COA Auditor. Also, include the unexpended LDRRMF of previous years in separate caption in the Local Disaster Risk Reduction and Management Fund Investment Plan for the fair presentation of the accounts in the financial statements.

3. Practice of retaining large amount of Cash Local Treasury of P3,054,687.37 as of December 31, 2017 arising from accumulated undeposited collections exposes the funds to risk of theft, loss, and misappropriation contrary to Section 69(1) of PD No. 1445 and Section 32 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units.

We recommended that Management require the Municipal Treasurer to deposit all the collections daily and intact with the authorized government depository bank pursuant to the Section 32 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units in order to prevent possible risks of theft, misuse and misappropriation of government funds. Also, instruct the Municipal Treasurer to stop the practice of using collections to defray operating expenses of the Municipality.

4. Progress Billing of Infrastructure Projects of Fund Transfer from National Government Agencies were not properly recorded under Construction-in-Progress account for Property, Plant and Equipment (PPE), contrary to the basic accounting

procedures under the New Government Accounting System (NGAS) Manual, thus, affecting the accuracy and reliability of PPE account in the financial statements.

We recommended that Management require the Municipal Accountant prepare adjusting journal entry to reflect the correct balances of the accounts affected. Moreover, in the recording of transactions, the Municipal Accountant shall refer with the basic accounting procedures under the New Government Accounting System (NGAS) Manual.

5. Fifteen percent (15%) advance payment/mobilization fee paid for various infrastructure projects were not supported with security, contrary to Section 4.2 of Annex E of Revised IRR Republic Act 9184, thereby the LGU has no guaranty to run after the contractor in case of failure to implement the project.

We have recommended that Local Chief Executive instruct the Municipal Accountant to process disbursing/claim on the advance payment/mobilization fee only upon submission to and acceptance by the procuring entity of an irrevocable standby letter of credit, bank guarantee or a surety bond as prescribed in Section 4.2 of the Annex E of Revised IRR of RA 9184. We also recommend that the Municipal Accountant comply with the other documents as requirements with Section 9.1.1 of COA Circular No. 2012-001.

6. Progress payments of Infrastructure Projects were deducted with the required retention money of ten percent (10%) of the billed amount, contrary to Section 6 of Annex E of the Revised Implementing Rules and Regulations of R.A. 9184.

We recommended that Management strictly adhere to the provisions prescribed in the Revised Implementing Rules and Regulations of RA 9184 deducting retention money of ten percent (10%) from every progress payment until fifty percent (50%) of the value of the projects were completed.

7. Infraction in the implementation of the provisions of the Revised Implementing Rules and Regulations of the Republic Act No. 9184 were revealed in the audit of the procurement transactions, thereby casting doubt on their validity.

We recommended that Management require the Bids and Awards Committee to comply with the provisions of the Revised Implementing Rules and Regulations (IRR) of Republic Act No. 9184 on all procurement activities of the Municipality to ensure their proper implementation.

8. Advances to Officers & Employees amounting to ₱128,120.20 were not liquidated within the prescribed period pursuant to Section 4.1.3, 5.1.3 and 56.9 of COA Circular No. 97-002 dated February 10, 1997, resulting to the accumulation of outstanding receivables at year end.

We recommended that Management:

- a. Instruct the Municipal Accountant to enforce liquidation of cash advances on the prescribed frequency and impose sanctions by withholding their salaries pursuant to Section 4.1.3, 5.1.3 and 5.9 of COA Circular 97-002;
 - b. Exert extra effort to locate the whereabouts of the accountable officers and cause the liquidation of the long outstanding cash advances in compliance with the existing rules and regulations; and
 - c. On the part of the outstanding cash advances of accountable officers who were already separated from this office, exert extra effort to locate their whereabouts to send demand letters.
9. Manner of handling of Petty Cash Fund (PCF) was not compliant with the rules and regulations pursuant to Manual on New Government Accounting System for LGUs, Volume I and COA Circular No. 97-002 dated February 10, 1997, thus exposing the fund to risk of possible loss or misappropriation.

We recommended that Management:

- a. Immediately stop their present system of handling petty cash fund and ensure compliance with the New Government Accounting System for LGUs in maintaining the PCF under the impress system; and
 - b. Ensure that sufficient internal control is in place by requiring quarterly reconciliation of the Petty Cash Book and the Petty Cash on Hand, in compliance with COA Circular No. 97-00.
10. Construction of Concrete Bridge at Barangay Dorongan-Ketaket, Mangatarem, Pangasinan with a contract cost of P19,995,852.50 has not been completed on time, thereby resulting to the insufficient and ineffective achievement of the objectives set forth by the Municipality on the said project and the inefficient and ineffective usage of government funds.

We recommended that Management make an urgent action and proper representation to remedy the completion of the bridge in order that it could help general public in the easy accessibility of the records and the objectives of the Municipality set forth in the project could be efficient and effectively achieved. Furthermore, it is recommended that Management review the documents supporting the contract on the project to ensure efficient and effective usage of government funds.

SUMMARY OF TOTAL AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES (SASDC)

The Statement of Audit Suspensions, Disallowances, and Charges (SASDC) as of December 31, 2017, is summarized below:

	Balance as of December 31, 2016	This Period		Balance as of December 31, 2017
		January 1 – December 31, 2017 Issuances	Settlements	
Notice of Suspensions	32,531.25	0.00	32,531.25	0.00
Notice of Disallowances	43,500.00	2,839,285.72	43,500.00	2,839,285.72
Notice of Charges	0.00	0.00	0.00	0.00
TOTAL	76,031.25	2,839,285.72	76,031.25	2,839,285.72

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of fifteen recommendations contained in the Annual Audit Report for the year 2017, nine were fully implemented, five was partially implemented, one was not implemented.