PD AAP 718

IDN: 35821

The Barangay Water Project Must Emphasize The Improvement of Water User Association Activities

USAID/Philippines
Audit Report No. 2-492-84-08
September 14, 1984

This project to build small water systems for rural communities has been successful in providing the water systems, but many user associations are on the verge of failure because of poor maintenance or inadequate billing practices. A water testing program was supposed to ensure the continued potability of the water, but the tests were not being made regularly and local officials did not know the results. The project may be over-funded because disbursements are slow and devaluation of the peso has changed the requirement for dollar funding.

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GLOSSARY

BWP	Barangay Water Program
Barangay	Township, equivalent to a city ward or rural village
BWP I	The first barangay water project (1978-80)
BWP II	The second barangay water project (1981-85)
FAR	Fixed Amount Reimbursement
GAO	U. S. General Accounting Office
GOP	Government of Philippines
MLG	Ministry of Local Government
O & M	Operation and Maintenance
RWA	Rural Waterworks Association
USAID	The United States Agency for International Development Mission in the Philippines

EXECUTIVE SUMMARY

The Philippine Barangay Water Project is designed to provide potable water to several hundred small rural communities through a variety of small water systems. The project is in its second phase. AID authorized loans of $6 million beginning in 1978 for Phase I of the project. Phase II began in 1981 and is scheduled for completion in December 1985. For Phase II, AID has authorized loans totalling $19.6 million and grants totalling $2.5 million for construction and engineering/advisory services. As of December 31, 1983, AID had disbursed $1.46 million of the Phase II funds.

The purposes of the audit were to determine whether 1) the AID loan and grant funds were spent in accordance with AID regulations, 2) the project was managed in an efficient and economical manner, and 3) the objectives of the project were being achieved.

The project has been successful in constructing economical water delivery systems as stipulated in the project design. However, the continued operation of many systems is questionable. Some systems are out of service because of inadequate maintenance and repair. Other systems are operating with increasing financial deficits and even face shut-down due to unpaid electric bills.

The primary cause for potential system failures is water user associations that do not or cannot meet their management responsibilities. These user associations are in need of training and assistance from national and local development agencies. We recommend that USAID/Philippines take action to ensure that appropriate Philippine Government agencies

- -- survey water supply systems to determine which ones are in economic difficulty, or in need of repair or technical assistance,
- -- provide appropriate managerial, financial, and technical assistance to the RWAs for all "problem" water supply systems identified in the survey, and
- -- implement existing evaluation team procedures for providing managerial, financial, and technical assistance to RWAs responsible for existing and newly constructed water supply systems.

A water testing program was supposed to ensure the continued potability of the water produced by the BWP systems. But the tests are not conducted regularly and local RWA officials are not being made aware of the results of tests that are made. Since drinking water which is not potable can cause a number of bacterial diseases and other health problems, it is imperative that regular testing be made of water that is consumed by project recipients. We recommend that the Mission requests assurances and obtain adequate documentation from appropriate GOP agencies that water quality tests are being carried out and that written records are maintained on such tests.

Project disbursements are significantly behind schedule. Only 7 percent of the project's funds had been disbursed as of December 31, 1983, although 60 percent of the project's anticipated lifespan had elapsed. At the present rate of expenditure, about $8.5 million of the $21.1 million in project funds will have accrued by the project assistance completion date of December 31, 1985 -- leaving a possible deobligation of $12.6 million. We recommend that USAID/Philippines ascertain whether the project should be extended, determine the remaining project funding requirements, and deobligate any amount which exceeds project requirements.

MANAGEMENT COMMENTS

In responding to our draft report, the Mission noted that AID and the Philippine Government development agencies are making greater efforts in the areas of training, institutional development, pre-completion and post-turnover assistance to the user associations to insure the viability and water safety of the systems. Nevertheless, the Mission agrees the recommendations concerning post-turnover training and water testing are valid and has already taken some action to implement them.

Since an evaluation of the Barangay Water Project is scheduled for later this year, the Mission has requested that our recommendation that requires the USAID to determine funding requirements and deobligate unneeded funds be deleted from the final report. The Mission is concerned that our office may preempt management's prerogatives in redefining project objectives should an extension of the project be deemed desireable. In any event, while we do not intend to get involved with the USAID decision making process, it appears to us that more emphasis should be placed on financing activities that will promote the continuation of existing and newly constructed water supply sytems. Furthermore, because of the slow progress in loan disbursement and possible deobligation of over $12 million, we believe the recommendation should be retained. When the evaluation is completed and decisions have been made on the future direction of the project, the recommendation will be closed.

Where appropriate, the report was revised to reflect other management comments.

INTRODUCTION

BACKGROUND

The Philippine Barangay [1/] Water Program (BWP) project (492-0333), was designed to provide potable water for household purposes to small rural farming and fishing communities. The water systems are also small, generally consisting of springs or wells, storage facilities, transmission lines and laterals. Water is delivered through strategically placed public faucets or individual house connections. The type and size of the water systems vary from community to community, but all systems are owned, maintained, and managed by the users through Rural Waterworks Associations (RWAs).

The Philippine Government's Ministry of Local Government (MLG) administers the BWP. Actual management of the program is handled by the BWP Agency within that Ministry.

To assist the Philippine Government in implementing the BWP, AID authorized loans of $6 million beginning in 1978 for the construction of more than 300 water systems in BWP I. BWP entered into its second phase of operation in 1981, which will continue until December 31, 1985. BWP II was designed to provide approximately 500 water systems in communities not exceeding 10,000 people. For BWP II, AID authorized loans totalling $19.6 million and grants totalling $2.5 million, or 67 percent of the needed funds. The GOP was to provide all additional funds necessary to fulfill the project's objectives, but not less than $8.7 million, including in-kind contributions. As of December 31, 1983, AID had disbursed $1.46 million for BWP II. (See Exhibit I for funding status.)

BWP project designers recognized that water facilities for rural areas must be simple, inexpensive, durable, efficient, and must supply water in adequate quantity to meet at least basic sanitation requirements. BWP systems are designed to allow for an average per capita consumption of 15 gallons per day. Nine gallons per day per person is considered the minimum for basic sanitation.

Four levels of water service are offered by BWP.

Level I: Well construction or rehabilitation and hand pump installation. Each pump serves at least 10 households within a 250-meter radius of the source.

Level II: Wells or spring sources with storage facilities, electric pumps, distribution lines, and strategically located public faucets (one per group of ten households) with meters. Level II systems can be upgraded to Level III systems (individual household service) under the supervision of the RWAs.

1/ On the average, there are 600 barangays in each of the country's 75 provinces.

Level III: Same as Level II, except with individual household connections and meters.

Level III A: Direct household connections with water distribution to 25 gallon capacity household storage containers. Minimizing the flow rate permits the replacement of community storage with less expensive household storage, reduces the need for more costly pipe, and eliminates the need for individual meters.

In order of increasing costliness, the systems are: Level I, Level III-A. Level II, and Level III. As of September 1983, 660 Level I, 184 Level II, and 18 Level III-A systems were completed or in-process.

The RWAs are responsible for the day-to-day technical and administrative operations of constructed systems and derive their funds from members by assessing water user fees for services rendered.

Related Report

A recent U. S. General Accounting Office (GAO) report, (Meeting a Basic Human Need: AID's Rural Potable Water and Sanitation Program, GAO/NSIAD 84-34 dated February 21, 1984), noted that AID has been successful in expanding access to improved water and better sanitation. GAO found that systems sometimes failed to deliver the full range of the intended facilities and services or implement operation and maintenance activities which are critical to long-term success. GAO concluded both that the continued operation and maintenance of the systems is as important as the installation of the facilities and that AID can do more to ensure the sanitary quality of the water provided through the projects by identifying and preventing immediate health hazards.

OBJECTIVES, SCOPE, AND METHODOLOGY

The project has not previously been audited. The purpose of the audit was to determine whether 1) AID loan and grant funds were spent in accordance with AID regulations, 2) the program is managed in an efficient and economical manner, and 3) the objectives of the project are being achieved. We selected 24 subproject (water system) sites in 8 provinces or cities for detailed review (see Exhibit II). These sites were judgmentally selected and may not be representative of all BWP subprojects. Our audit also concentrated on the review of Level II and III-A subprojects, rather than the more numerous Level I subprojects, because of their significantly higher cost and because the problems threatening their longevity seemed greater.

Our audit fieldwork was carried out primarily in February and March 1984. At each location, construction, financial, and maintenance records were reviewed. Project plans, status reports, evaluations, cables, and other relevant data at USAID were also reviewed. We interviewed USAID/Philippines, contractor, MLG, BWP, and RWA officials.

We discussed our audit findings with Mission officials and their comments are reflected in the report, as appropriate.

The review was made in accordance with The Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.

AUDIT FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

MANY RWAs HAVE BEEN UNABLE TO FULFILL THEIR OPERATIONS AND MAINTENANCE RESPONSIBILITIES

The project objective of expanding access to safe water supplies to small communities (barangays) in the Philippines is being achieved for the near-term. However, many user organizations have not been able to achieve financial solvency nor ensure convenient and continued safe water supplies to its members. As a result, water systems are frequently in need of repair or out-of-service. When the systems are not operating for extended periods, association members lapse into former water use patterns and the project's earlier successes are nullified. In addition, the project objective of providing potable water to the targeted communities on a continuing basis is placed in jeopardy.

Below addresses the causes why many water supply systems are in trouble and the remedial actions required by the responsible development agencies.

RWAs Are Not Collecting Sufficient User Fees to Cover O&M and Amortization Costs

Many RWAs are not collecting sufficient user fees to pay their current and recurring expenses and were operating with deficits, usually resulting from large unpaid electric bills. Other RWAs generated revenues which exceeded their expenses, but were not repaying their construction loans. Only 4 of the 24 RWAs reviewed were operating in the black and paying off their construction loans.

The BWP user associations finance the operation and maintenance (O & M) of the water supply systems by direct payments from users. The program uses two fee assessment methods: charging for measured water used or charging a flat rate. Regardless of method, fees are intended to be set sufficiently high to cover the RWA's O&M expenses, and to repay a portion of the construction loan, but not so high as to exceed local financial means. Excessive fees discourage participation in the program and are difficult to collect.

There are numerous reasons why some associations had an unfavorable ratio between revenues and expenses. But it seemed to us that the RWAs' inability to determine proper user charges was a significant factor. Many RWAs charge members on the basis of water used, which requires accurate, accessible meters and scheduled readings. However, we found water systems where the meters were broken, buried in mud, or covered by a 75 pound concrete slab. These conditions made meter reading difficult and likely forestalled frequent reading. In addition, some Level II systems had been modified to provide individual household connections, but without individual meters. Thus, users had unrestricted, unmeasured, private

water service but their associations could charge only a flat rate because individual consumption could not be ascertained.

Aside from problems in determining proper user charges, the RWAs lacked skills to anticipate and calculate recurring costs, properly assess fees, and budget funds to cover normal and unexpected expenses. For example, some RWAs did not set aside funds for contingencies. As a result, unexpected bills could not be paid and continued operations of the water systems were jeopardized.

Electricity to run its pumps is usually the RWA's largest expense. Sudden increases in the cost of electricity have impacted negatively upon RWA operations. Some RWAs have taken appropriate remedial action by adjusting monthly user fees, rationing the pumping time, and seeking cooperation from electric cooperatives as to rates, multipliers, and electric meter calibrations. Other RWAs, however, understood little about how their electric charges were calculated. For instance, RWA officials did not understand why there were such large deviations in rates and multipliers. The rates charged the RWAs by local electric companies ranged from $.05 per kilowatt hour in Buenlag to $.10 per kilowatt hour in San Miguel. There were also variations in the way charges were assessed. At one subproject, the electric meter indicated that a "multiplier" of 40 was applied to the actual reading. However, we were told that the "multipliers" applied by the same electric cooperative to other associations were much less.

Regardless of the causes for RWA expenses outpacing collections, the end results will be the same. When RWAs cannot pay their electric bills and their power is discontinued, or cannot make repairs and equipment is out of service, the water systems will stop operating. Further, RWA members will have to seek alternate sources of water.

Proper O&M Can Reduce Expenses, But Some RWAs Are Not Following BWP Guidelines

The BWP Operations Manual advises RWA operators that they can effect economy in several ways, including eliminating leakage and replacing or repairing inefficient machinery. However, the RWAs do not always follow this advice. As a result, the RWA operating costs are higher than necessary.

At several subproject sites visited, there were uncorrected leaks in pipes, valves, or faucets. Leakage is uneconomical to the associations because water has been pumped out which will not be paid for. Large leaks also effect service to surrounding users. The BWP Manual advises operators to, at least weekly, "physically and personally" walk over every foot of pipeline to look for leaks which, large or small, should be stopped at once. This advise is obviously not followed by all the RWAs.

The Manual describes maintenance as "the most important single task in the operation of a water utility." Since the BWP systems are small, proper preventive maintenance requires little effort on the part of

RWA operators. To handle large repairs, the BWP established central repair facilities which were supposed to respond to RWA work requests.

We visited the central repair facility of the Pangasinan province. The shop was functional and outfitted with new tools. There was no system of work orders, however, to prioritize or monitor repair work. Such a system is required by the BWP Manual. During our field work we noted that repairs had not been made to Level I systems at Cabilocaan and Victoria. In these cases, barangay officials had not reported the break-downs to the central repair shop. In another province, the RWA had waited months for central repairmen to fix a broken pump. In other provinces, RWAs paid larger repair bills to private repairmen rather than utilize the central repair shops because they could not respond in time.

RWAs Need Additional Monitoring, Support, and Training

According to the BWP Handbook, successful operation and maintenance of waterworks systems requires close monitoring, supervision, and assistance in the early stages of a system's operation. Failure to provide such supervision usually results in systems which experience financial, administrative and technical difficulties, which can, if the problems are serious enough, render the systems inoperative.

The BWP Handbook enumerates a variety of mechanisms by which local and national development agencies can assist RWAs. These include provincial or city evaluation teams to advise RWAs on sound management and operational practices. The schedule for evaluation teams provides for frequent visits in the early period of an RWA's operation. Six visits are supposed to be scheduled for the first year, quarterly visits in the next two years, and annual visits thereafter. Evaluation teams have great potential to effect significant improvement in RWA operations if the scheduled visits are made. The evaluation teams should

-- review RWA financial records management practices,

-- coordinate needed technical assistance to RWAs or repair BWA systems,

-- observe water utilization practices and advise RWA staff and members of needed improvements, and

-- provide on-site training to RWA personnel.

While GOP officials told us they regularly visit the BWP subprojects, there were no records to substantiate whether these visits actually took place. In addition, our fieldwork uncovered numerous financial, managerial, and operational problems at the RWAs which could have been alleviated with specialized assistance by the evaluation teams.

Luyen-Torres is an example of an association in financial difficulty which could benefit from specialized advice. For example, available

records showed that the RWA owes $1,829 to the local electric cooperative. On the other hand, receipts shown us by the RWA indicated that payments totalling only $238 were made to the electric cooperative from 1981 until early 1983. No entry of these payments was made in either the RWA or electric cooperative books. These reduced payments do not cover the cost of current billings. The RWA officials in Luyen-Torres seemed anxious to correct this problem, but were uncertain what to do. The water is still on only because the electric cooperative agreed to accept reduced payments from this RWA.

Capitangan illustrates the need for post-turnover technical assistance. Even though its electric charges were $.65 per person/per month, as compared to an average of $.47 for 13 other RWAs, its expenses exceeded revenues each month. This occurred because the water pump being used was oversized -- the 5 horsepower pump was too large for the job. The official in charge of the RWA acknowledged knowing very little about the technical aspects of the water supply system.

RWA personnel also need training in accounting and record-keeping. For instance, most RWAs do not maintain budgets indicating anticipated revenues and expenses. The advantage of keeping a budget is that the RWA can identify trends of declining revenues or increasing expenses. RWA officials can then determine whether the association needs to raise fees or try to reduce expenses. It is also through the budget that contingency reserves are allotted for major repairs or replacement of important system components.

The record keeping practices of the RWAs also varied significantly. At present, most RWAs keep one ledger for receipts and another for expenditures. However, one association kept both categories in the same ledger, which is not a good accounting practice. Another association entered all collections and expenditures chronologically, making it difficult to reconcile what was paid or collected or to determine the number of active members. A third RWA kept a separate record of revenues for each member, but did not maintain summary information. As a result, the RWA does not know whether revenues were above or below expenses.

The RWAs also need help to install standard financial controls. Some RWAs had savings accounts. One was in the treasurer's name, thus this offical could use the funds as he desired. Transactions in another account were not reflected in the RWA's books. In two RWAs, significant expenditures for water meters that were to be resold were not recorded in the expense ledgers. In one RWA, bookkeeping entries did not correspond to actual receipts. (Since AID funding was not directly involved, we did not do a complete financial audit of the RWAs sampled.)

At present, there are three contractor teams providing technical assistance to the project. BWP agency officials showed us evidence, including a well-designed survey questionnaire, that they are placing a greater emphasis on examining RWA financial problems. The USAID Project Officer also stated that training courses called "Techno-clinics" are being held to help institutionalize certain management and bookkeeping procedures of the RWAs.

Conclusions and Recommendation

In our view, the BWP project could fail if user association personnel are not given adequate training and technical assistance for them to effectively manage the water supply systems. In this respect, the long-term success of the project depends on the availability of trained people needed to monitor, maintain, and repair the water supply systems. When the water systems stop operating, their customers will have to resume their former water procurement practices and will be no better off than they were before the project funds were spent. In addition, the project objective of providing potable water to the targeted communities on a continuing basis is in jeopardy. Consequently, we believe BWP user organizations are in need of additional training and assistance if the water systems are to operate effectively on a continuing basis. Accordingly, we recommend that

Recommendation No. 1

USAID/Philippines take action to ensure that the BWP agency and provincial government units

(a) survey all existing Level II and III-A water supply systems to determine which ones are in economic difficulty, or in need of repair or technical assistance;

(b) provide appropriate managerial, financial, and technical assistance to the RWAs for all "problem" water supply systems identified in the survey; and

(c) implement existing evaluation team procedures for providing managerial, financial, and technical assistance to RWAs responsible for existing and newly constructed water supply systems.

Management Comments

USAID/Philippines concurs with this recommendation.

WATER TESTING PROGRAM NEEDS MORE EMPHASIS

Successful O&M of a water system depends, in part, on proper use of the system. Generally users are inclined to act properly if they can see that an improved water system means convenience and a greater quality and quantity of water. We observed instances however, of unauthorized and unsafe connections, water wastage, unsanitary conditions, and improper disposal of used water. For example:

-- In Dagatan, Cavite, a household adjacent to the well had installed its own connection and its discharged water pooled directly above the well and pump.

-- In Cato, Pangasinan, the water source was a catch basin fed by pipes located in a school yard. Toilet and sink water from the school was discharged onto open ground about 15 feet away.

These examples of improper water disposal highlight the need for periodic water quality testing of BWP systems.

Before systems are turned over to RWAs, they are inspected and certified by a local government health officer. BWP policy demands at least monthly testing thereafter. However, there is an absence of regular, post-turnover water testing. The most recent test for any system reviewed was more than 6 months old. In at least two locations, the latest testing took place more than a year ago. One RWA official said their water had not been tested since February 1981. RWA officials told us that when their water is tested, they receive the test results only if the water was not potable. As one RWA official put it -- "No news is good news".

Conclusion and Recommendation

A water testing program was supposed to ensure the continued potability of water produced by the BWP systems. But the tests are not conducted regularly and local RWA officials are not being made aware of the results of tests that are made. Since drinking water which is not potabl can cause a number of bacterial diseases and other health problems, it is imperative that regular testing be made of water that is consumed by project recipients. Accordingly, we recommend that

Recommendation No. 2

USAID/Philippines request assurances and obtain adequate documentation from the BWP agency that water quality tests are being carried out and that written records are maintained on such tests.

Management Comments

USAID/Philippines concurs with this recommendation.

SYSTEM DESIGN CHANGES SHOULD BE CONSIDERED IN LIGHT OF EMERGING USE PATTERNS

The project has not realized full value from some of its construction and equipment. Users at every Level II subproject visited had begun to install private connections. The clear consumer preference for private faucets, demonstrated by the pervasive conversion of Level II systems

to individual service as provided in Level III systems, has resulted in the premature obsolesence of Level II equipment and construction including public faucets, mounts, platforms, and meters. In view of the strong probability that most Level II systems will be converted (properly or improperly) to provide individual service, project managers should review the criteria used to determine what level of service and equipment a community needs or is willing to support.

Project specifications for Level II water systems included a small buildbuilding to be used as the RWA office. The building sizes were to range from 16 to 40 square meters, depending on the size of the population served by the system. Of the 17 completed office buildings inspected by us, only six were being used as RWA offices. Eight were unused and three were locked and their status could not be ascertained. At least one building (90 square meters) was substantially oversized for its intended use. We suspect that some buildings were not used because they were isolated from the community and others, because RWA officials preferred to work from their homes.

Conclusion

In our view, the construction criteria for the BWP water systems should be adjusted to reflect the emerging patterns of use. Otherwise, project funds are wasted on facilities that are not used or are underutilized. Further, unsupervised changes to the systems by users could result in wasted water resources or unsanitary conditions.

Management Comments

In our draft report, we recommended that the Mission take action that ensures the water supply systems and related facilities are constructed economically and reflect the emerging patterns of customer use. USAID/Philippines noted that the problems cited in our draft were disclosed in a technical evaluation of the project which covered the period September 1981 through October 1983. Based on the evaluation results, revised standard drawings have been enforced to eliminate the water system and other facility design deficiencies. For example, the drawings allow for proper conversion of Level II service to Level III service. This is to be done at the cost of the individual household owner, and under the supervision of the Rural Water Association. Because of this action, we have deleted the recommendation from the final report.

PROJECT FUNDING REQUIREMENTS SHOULD BE REEVALUATED

As of December 31, 1983, over 60 percent through the BWP II project's anticipated lifespan, less than 40 percent of project funds had been earmarked, and less than 7 percent ($1.46 million) had actually been disbursed. At the present rate of expenditures, only about $8.5 million of the $21.1 million in project funds will have accrued by the project assistance completion date of December 31, 1985, leaving a potential deobligation of $12.6 million.

The project was funded under the fixed amount reimbursement concept, i.e., USAID/Philippines reimburses the Government of the Philippines for subprojects completed. In reality, it is actually a multi-step process. The provincial government initially finances the construction of the water system for the RWA. Upon completion of the system, and following inspection by provincial government and MLG officials, it is turned over to the RWA. This is done when the RWA signs the loan/amortization agreement which covers the construction cost. The province then submits a request to the MLG for reimbursement of the loan it made to the barangay. The MLG receives an appropriation to cover these requests and pays the province. MLG then periodically requests reimbursement from AID for the construction work which was completed, inspected, accepted and paid for by the MLG.

There are three major causes for a lag in disbursements by the MLG and subsequent reimbursement by AID. First, the Philippine Government has not provided the MLG timely appropriations to finance the number of BWP systems planned. Second, the MLG has not made timely request for reimbursement from AID after the water systems have been constructed. Third, the several peso devaluations which have taken place since the project began means the U.S.-dollar loan and grant can finance the same number of water systems, at much less cost.

Conclusion and Recommendation

Either the BWP project completion date must be extended or the USAID will need to deobligate a large portion of project funds. If the project is extended, the USAID should determine the funding required to reach the project objectives. After completion of this evaluation, the USAID should deobligate the funds that may be in excess of project requirements.

Recommendation No. 3

USAID/Philippines decide whether the project should be extended, determine the remaining project requirements, estimate the dollar amount of these requirements, and deobligate the amount which may be in excess of project requirements.

Management Comments

See Management Comments in the Executive Summary (page ii).

EXHIBIT I

FUNDING STATUS FOR BARANGAY WATER PROJECTS I & II
(In thousands)

BWP I	AID Loan	AID Grant
03/78 Project Agreement	$ 3,000	$ 184
9/27/79 Amendment I	3,000	
Subtotal I	$ 6,000	$ 184

As of September 30, 1983, Phase I was completed, and a total of $5,354,325 had been expended. The remaining $645,675 was deobligated.

BWP II	AID Loan	AID Grant
7/28/80 Project Agreement	$ 7,500	$ 887
12/04/80 Amendment 1	7,500	
4/29/81 Amendment 2	1,700	
11/19/81 Amendment 3		750
7/21/82 Amendment 4	1,800	300
8/31/82 Amendment 5	1,100	600
Subtotal II	$ 19,600	$ 2,537
	$ 25,600	$ 2,721
Total Grants and Loans	$ 28,321	

The project assistance completion date for BWP II is December 31, 1985 and as of December 31, 1983, the financial status was:

	Obligations	Accrued Expenditures	Disbursements
Grant	$ 2,537	$ 1,275	$ 1,213
Loan	19,600	5,554	248
TOTAL	$ 22,137	$ 6,829	$ 1,461

EXHIBIT II

SUBPROJECT SITES VISITED DURING AUDIT

Subproject Site	Original Level of Service	Operating Status of RWA
Pampanga		
Talba	II	c
San Isidro	II	b
San Miguel	II	e
Pangasinan		
Luyen-Torres	II	d
Cabilocaan	I	c
Sobol	I	g
Buenlag	III-A	e
Matalava	II	e
Victoria	I	g
Cato	II	g
Zambales		
Salaza	II	d
Lipay	I	g
Bataan		
Capitangan	II	d
Greenhills	I	g
Batangas		
Mataas na Kahoy	II	e
Anilao	II	f
Emmanuel	II	e
Balagtasin	II	f
Talaga	II	f
Angeles		
Sapang Bato	III-A	a
Cavite		
Tamakan	II	g
Dagatan	II	g
Loma	II	a
Dagupan City		
Carael	II	f

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a/ Construction abandoned
b/ Not yet operating
c/ Not in service, needs repairs
d/ Operating with net loss
e/ Operating with net profit, but no loan payments made
f/ Operating with net profit, loan payments are made
g/ Insufficient information

LIST OF RECOMMENDATIONS

Recommendation No. 1

USAID/Philippines take action to ensure that the BWP agency and provincial government units

(a) survey all existing Level II and III-A water supply systems to determine which ones are in economic difficulty, or in need of repair or technical assistance,

(b) provide appropriate managerial, financial, and technical assistance to the RWAs for all "problem" water supply systems identified in the survey, and

(c) implement existing evaluation team procedures for providing managerial, financial, and technical assistance to RWAs responsible for existing and newly constructed water supply systems.

Recommendation No. 2

USAID/Philippines request assurances and obtain adequate documentation from the BWP agency that water quality tests are being carried out and that written records are maintained on such tests.

Recommendation No. 3

USAID/Philippines decide whether the project should be extended, determine the remaining project requirements, estimate the dollar amount of these requirements, and deobligate the amount which may be in excess of project requirements.

APPENDIX II

REPORT RECIPIENTS

USAID/Philippines

Director	5

AID/W

Bureau for Asia:	
Assistant Administrator	1
Deputy Assistant Administrator (Audit Liaison Offficer)	2
Office of the Philippines, Thailand & Burma Affairs (ASIA/PTB)	1
Bureau for Science & Technology:	
Office of Development Information & Utilization (S&T/DIU)	2
Bureau for Management:	
Assistant to the Administrator for Management	1
Accounting System Division (M/FM/ASD)	2
Directorate for Program & Management Services:	
Office of Contract Management (M/SER/CM)	3
Office of the Inspector General:	
Inspector General (IG)	1
Communications and Records (IG/EMS/C&R)	12
Policy, Plans & Programs (IG/PPP)	1
Office of Legislative Affairs (LEG)	1
Office of the General Counsel (GC)	1
Office of Public Affairs (OPA)	2

OTHERS

Regional Inspector Generals:	
RIG/A/Washington	1
RIG/A/Nairobi (East Africa)	1
RIG/A/Dakar (West Africa)	1
RIG/A/Cairo (Egypt)	1
RIG/A Karachi (Near East)	1
RIG/A/Latin America	1
RIG/II/Manila	1