

STATUS OF PRIOR YEAR'S RECOMMENDATIONS

Observations and Recommendations	Management Actions
<p>1. The existence, validity and correctness of the balances of the assets, liabilities and National Government equity accounts amounting to P14.338 Billion, P5.668 Billion and P8.670 Billion, respectively, are doubtful because Management did not properly implement Section 14 of the IRR of RA 9497 and the applicable provisions of COA Circular No. 92-375.</p> <p>1.a. Section 14 of the IRR of RA 9497 is not yet implemented to determine the fair value of the existing assets of ATO which were transferred to CAAP as of June 30, 2008 and to establish the correctness of the sources of its capitalization as provided for in the said Act. The physical inventory of all the ATO assets was not yet conducted to allow proper appraisal as required thereof, thus, affecting the DBM's release of the capital needed by the Authority for the implementation of its projects.</p> <p>We recommended that Management see to it that the comprehensive Inventory/verification of assets be completed as soon as possible in order that the appraisal of assets is commenced.</p>	<p>Partially implemented and reiterated in Finding Nos. 5, 6 & 8.</p>
<p>2. Failure to transfer the funds/appropriations, records, equipment and property from ATO to CAAP as of June 30, 2008 as required under COA Circular No. 92-375 resulted in inaccurate, doubtful, unreconciled carried over account balances and inaccurate property and cash accountabilities of officers and employees.</p> <p>We recommended and Management assured that they will do its best in complying with the following courses of actions:</p> <p>a. Complete the procedures which were already started, necessary to determine the property and cash accountabilities of all concerned officers and employees of ATO such as physical inventory of property, supplies & materials and accountable</p>	<p>Partially implemented and reiterated in Finding Nos. 5, 6 & 8.</p>

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<p>forms; liquidation of cash advances; liquidation of fund transfers (Due From and Due to Accounts) and cash examination of collecting and disbursing officers.</p> <ul style="list-style-type: none"> b. Reconcile general ledgers with the subsidiary ledgers and prepare the necessary working papers and produce the documents to support adjustments. c. Ensure the necessary steps to safeguard the cash and property of the Authority by requiring full settlement of accountabilities based on the result of the procedures done in No. 1; and d. Comply with the other requirements of transfer and settlement of accounts provided for under RA 9497 and COA Circular No. 92-375. 	
<p>3. Property worth P5.026 billion were reclassified as other assets, even if the circumstances why these assets could not be identified and/or located are not investigated</p> <p>We recommended and Management agreed to strictly implement Section 14 of the IRR of PD 9497 to establish the correct capitalization of the National Government with the Authority by performing the following procedures:</p> <ul style="list-style-type: none"> a. Secure from the concerned depository bank the necessary records/statements pertaining to the cash-in bank accounts to determine the cash-in-bank actual balance and existence; b. Require all personnel concerned in conducting physical inventory of all existing property and equipment of the then ATO to determine their actual existence and condition; c. Hire an independent appraiser to determine the appraised value of each property and equipment including those for disposal. Consequently, adjust the corresponding book value of the assets and the equity accounts; d. Secure all documents necessary to determine the existence and correctness of prepaid expenses and deferred assets; 	<p>Not implemented and reiterated in Finding Nos. 6 & 8.</p>

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<p>e. Prepare list of all liabilities as of June 30, 2008 and deduct the same from the appraised value of the existing assets of ATO before the same is recognized as equity of the National Government with the Authority; and</p> <p>f. Investigate the causes why current assets and property and equipment accounts transferred to other assets could not be identified and/or located. If warranted, file appropriate charges against those who will be found liable for any loss thereof.</p>	
<p>4. Accounts applicable to the National Government Sector were still used although CAAP has been granted fiscal autonomy by virtue of Section 15 of the IRR of RA 9497 and has acquired a corporate status, thereby overstating the payable accounts by at least P5.170 billion and understating the equity account by the same amount</p> <p>We recommended and management agreed that the amount of P5.170 million be adjusted from Due to National Treasury account to Government Equity account to comply with the provision of Section 15 of the IRR of RA 9497. We further recommended that the Authority stop the use of the account Notice of Cash Allocation.</p>	<p>Implemented.</p>
<p>5. Reciprocal accounts were not analyzed and reconciled so that at the end of the accounting period and upon combination of the financial statements of the HO and ACs, as well as the financial statements of all the ACs and its operating units, their balances will be eliminated or will have zero balances. Thus, the asset and liability accounts are overstated by P350.437 million and P1.011 million, respectively.</p> <p>We recommended and management agreed that the reciprocal accounts of CAAP HO and ACs be analyzed and reconciled.</p>	<p>Not implemented and reiterated in Finding No. 11.</p>

Observations and Recommendations	Management Actions
<p>6. Comparison of the Audited Financial statements of Area Centers with that used by the Head Office in preparing combined financial statements revealed a net differences of P1.021 billion for the assets and P408.409 million for the liabilities, income, expenses, and equity accounts.</p> <p>We recommended and Management agreed to make a thorough analysis and reconciliation of the financial statements of both the CAAP HO and all the Area Centers and make the necessary adjustments where appropriate. Proper coordination should be established between and among their accountants to eliminate the differences.</p>	<p>Partially implemented and reiterated in Finding Nos. 11.</p>
<p>7. The validity and accuracy of the Land account amounting to P198.80 million is doubtful due to lack of records.</p> <p>We recommended and Management agreed that CAAP finalize its physical inventory of the Land account. It recognized that there are problems in the land titling. However, the Land Titles under the safekeeping of the Records Section could be substantiated by the submitted Inventory Report.</p> <p>Once identified, these lands shall be reclassified under the Land Account from the Other Asset Account and Subsidiary Ledgers shall be maintained.</p>	<p>Partially implemented and reiterated in Finding No. 6.</p>
<p>8. The accuracy and validity of the book value of Property and Equipment account balance of P1,570.20 million is doubtful due to non-provision of depreciation on some property and equipment. Moreover, some identifiable Property and Equipment were reclassified in the Other Assets account.</p> <p>We recommended and Management agreed to analyze the accounts and make the necessary adjustment where appropriate.</p>	<p>Partially implemented and reiterated in Finding No. 5.</p>

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<p>9. The validity and reliability of the balances of Deferred Charges and Guaranty deposits amounting to P139.327million and P34.077 million as of December 31, 2008, respectively, are doubtful considering the period of time that lapsed and the accomplishments of the activities for which it has been established.</p> <p>We recommended and management agreed to the following measures:</p> <ul style="list-style-type: none"> a) exert effort to get supporting documents and financial reports on ICAO receipt and utilization of funds that were deposited in the Trust Fund from its inception in 1995 to date; b) analyze said reports to get details of the transactions that would show the status of the remittances/payments to the Trust Fund and prepare adjustment, as applicable; c) assign an Accounting Staff to be in-charge of the recording of ICAO financial transactions; d) supervise the work of the staff so that errors in recording could be immediately corrected and transactions would be properly documented. 	<p>Partially implemented and reiterated in Finding No. 10.</p>
<p>10. Other Prepaid Expenses is overstated by an undetermined amount due to non-recording of consumption of supplies.</p> <p>We recommended that the consumption for gasoline, oil, lubricants and other supplies be taken up in the books.</p>	<p>Implemented.</p>
<p>11. Construction in Progress (CIP) account balance of P58.21 million is unreliable due to error in adjustment and lack of records.</p> <p>We recommended and Management agreed to exert extra effort to locate/trace the records and prepare schedule for the CIP projects.</p>	<p>Partially implemented and reiterated in Finding No. 7.</p>

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<p>12. Accounts Receivables amounting to P5.139.114 billion was not provided with allowance for doubtful accounts to present its net realizable value in the financial statements in accordance with PAS No. 39.</p> <p>We recommended that management set up policies on the provision of allowance of doubtful accounts, consequently, the Chief Accountant should make the necessary correction and adjustment to present the accounts receivable to its net realizable value on the financial statements.</p>	<p>Partially implemented and reiterated in Finding No. 4.</p>
<p>13. Subsidiary ledgers for various accounts receivables amounting to P35.43 million were not updated for the period July 1-December 31, 2008, hence, the accuracy of the general ledger balances cannot be validated and do not provide accurate information to the financial statements, as required under Section 111 of the PD 1445.</p> <p>We recommended that management require the officer concerned to update the subsidiary ledgers of the accounts receivables from various clients and reconcile regularly the balances with the general ledger. The bookkeeper/accountant should also be required to prepare the necessary adjusting entry for any deficiencies.</p>	<p>Partially implemented and reiterated in Finding No. 4.</p>
<p>14. Defective Billing and Collection Information System.</p> <p>We recommended that the BASIS be assessed as to its capacity to serve the purpose for which it is being maintained. Adopt measure to update the aging of Accounts Receivable and reconcile the same with the controlling account in the General Ledger.</p>	<p>Partially implemented and reiterated in Finding No. 4.</p>

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<p>15. Advances to officers and employees amounting P39.22 million remained unliquidated even if the purpose for which they were granted has already been served contrary to the pertinent provisions of COA Circular No. 97-002, dated February 10, 1997.</p> <p>We recommended and Management agreed to strictly comply with the provisions of COA Circular No. 97-002 requiring full settlement of cash and property accountabilities of all retiring and transferring ATO officers and employees.</p>	<p>Partially implemented and reiterated in Finding No. 3.</p>
<p>16. Cash Advances granted to the different disbursing officers of operating units under the jurisdiction of the former Air Transportation office (ATO) amounting to P13.09 million were not liquidated as of June 30, 2008 pursuant to Section 7.1.1 of COA Circular No. 92-375 dated March 9, 1992.</p> <p>We recommended and Management agreed to require the disbursing officers of the different operating units with unliquidated cash advances to submit the Report of Disbursements as soon as possible for proper accounting thereof.</p>	<p>Not implemented and reiterated in Finding No. 3.</p>
<p>17. Contract services of one hundred (100) consultants performing functions of regular ATO staff were renewed by CAAP Management</p> <p>We recommended that Management review the need to hire these consultants in line with the existing laws, rules and regulations particularly, Section 33 of PD 1445 on excessive, irregular and unnecessary expenditures.</p>	<p>Not implemented and reiterated in Finding No. 15.</p>
<p>18. CAAP incurred expenses for the Gender and Development (GAD) amounting to P1,754,756.00 or 389% higher than the budget of P450,000 and much lower than the amount required under Section 31 of RA 9498 dated April 5, 2004 and Executive Order No. 273 of at least (5%) of their total budget appropriation.</p>	

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<p>We recommended that a comprehensive GAD Plan be prepared in support of the budget for the purpose.</p>	<p>Implemented.</p>
<p>19. Difference of P11.75 million between the balances per cashbook/bank statements and the general ledger due to non-reconciliation of the books.</p> <p>We recommended that the acting accountant make further analysis of the cash balances and account for the differences by preparing the necessary adjusting/correcting entry. Further, the acting cashier should reconcile regularly their books of accounts to avoid errors.</p>	<p>Partially implemented and reiterated in Finding No. 1.</p>
<p>20. Submission of disbursement reports for the operating expenses of the different disbursing officers of the operating units of CAAP Area Center, Laoag City were not regularly complied on a monthly basis resulting in unaccounted operating expenses and overstatement of accounts receivables in the books of the Area Center amounting to P12.62 million.</p> <p>We recommended that the head of agency ensure that all cash advances granted to the different disbursing officers be reported on and liquidated as soon as the purpose for which it was given has been served. In addition to this, we advised management to:</p> <ul style="list-style-type: none"> • Adopt a uniform format for the report of disbursements to be prepared by the different disbursing officers of all operating units for easy consolidation at the Area Center. • Require the submission of report of disbursement on a monthly basis before any release of cash advances and require strict implementation thereof. No cash transfers should be effected unless proper accounting of the previous cash advances are made. Require an audited and verified report of disbursements, if the operating unit has an assigned COA auditor thereat, if necessary. 	<p>Implemented.</p>

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<p>21. Accountable officers having custody of government funds and property at the CAAP Area Center-Laoag City and Baguio City Operating Unit were not bonded in violation of Section 101 of the PD 1445 and Section 7.2.3 of the COA Circular No. 92-375.</p> <p>We recommended that management require all accountable officers having custody of government funds and property to renew/apply for fidelity bonds in compliance with the existing laws and Section 7.2.3 of the COA Circular 92-375.</p>	<p>Implemented.</p>
<p>Baguio City Operating Unit</p> <p>22. Cash examination conducted on the cash accountabilities of the collecting officer revealed that collections, although minimal, were not regularly deposited intact which may result in the misuse of funds for personal purposes.</p> <p>We recommended that management require the acting collecting officer to regularly deposit total collections weekly to assure that government funds collected are deposited intact. When CAAP operations have normalized and whenever collections are substantial, these are to be deposited intact daily as required by government regulations.</p>	<p>Implemented.</p>
<p>23. Physical inventory of semi-expendable supplies and materials was not conducted and Acknowledgement Receipt for Equipment (ARE) were not renewed every three years after issue.</p> <p>We recommended that management conduct periodic physical inventory of all equipment and supplies to ascertain their existence and monitor their whereabouts and actual condition. We urge management to submit a physical inventory report to COA not later than January 31 of each year and to renew the ARE every three years to pinpoint accountability.</p>	<p>Not implemented and reiterated in Finding No. 5.</p>

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<p>24. Issued supplies and materials with life expectancy beyond one year were not covered by Inventory Custodian Slips and government property was issued to a temporary employee in an Acknowledgement Receipt for Equipment.</p> <p>We advised management to re-issue said accountabilities of the contractual security guard to a permanent employee of the agency covered by an ARE and ICS to ensure proper accountability for government property.</p>	<p>Not implemented and reiterated in Finding No. 16.</p>
<p>25. A deficiency amounting to P48,779.81 was noted on the provisions for security fence and vehicular/pedestrian gates project.</p> <p>The COA CAR Technical Inspector excepted cost of materials paid for by then Air Transportation Office (ATO) in 2005 which were not found installed on the project. The inspection report revealed that several materials claimed to have been procured, were not actually in the Security Fence and Vehicular/Pedestrian Gates project.</p> <p>The technical inspector required the submission of As-Built Plan indicating where the questioned materials included in the payment for the project were installed.</p> <p>We recommended that management submit the required As-Build Plan indicating where the questioned materials included in the payment for the project were installed to avoid disallowance in audit.</p>	<p>To be coordinated with the Area Center concerned.</p>
<p>Area Center III-Region III and IV</p> <p>26. Financial transactions and operations of the airports under Civil Aviation Authority of the Philippines (CAAP) Area Center III could not be audited due to the non-submission of financial reports contrary to Section 41 (2) and 122 of P.D. 1445.</p> <p>We recommended that the Accountant of Area Center III and the Accountants of all of its operating units be required to submit the requested financial statements, pertinent reports and schedules as of December 31,</p>	<p>To be coordinated with the Area Centers concerned.</p>

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<p>2008 in order to facilitate the audit of financial transactions and operations of the respective airports under its jurisdiction as required in Sections 41(2) and 122 of PD. 1445.</p>	
<p>27. Cash advances totaling P711,898.32 granted to officers and employees of CAAP-Area Center III were not liquidated as of June 30, 2008 contrary to Sections 7.1.1 (c) of COA Circular No. 92-375 dated March 9, 1992.</p> <p>We recommended for the immediate liquidation of all cash advances granted to officers and employees pursuant to Section 7.1.1(c) of COA Circular No. 92-375.</p>	<p>Partially implemented and reiterated in Finding No. 3.</p>
<p>28. The validity of the balance of Accounts Receivables of CAAP-Area Center III was doubtful due to unreconciled difference of P255,727 between the General Ledger (GL) and Subsidiary Ledger (SL) balances.</p> <p>We recommended for the following courses of action:</p> <ol style="list-style-type: none"> 1. Require the Accounting Unit of CAAP-Area Center III to immediately reconcile GL and SL balances to correct the reported balance of Accounts Receivables in the financial statements; 2. Direct the Accounting Unit to prepare adjusting journal entries; 3. Update regularly the posting in the SL to ensure reliable and accurate information in the financial reports. 	<p>Partially implemented and reiterated in Finding No. 4.</p>

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<p>29. Accounts Receivables in the total amount of P22,609,449 was not provided with allowance for doubtful accounts to properly present its net realizable value in the financial statements contrary to the requirement of the Statement of Accounting Standards No. 3.</p> <p>We recommended that Management require the Accountant to set up allowance for doubtful accounts and prepare the necessary adjusting journal entries to properly present the receivable account to its net realizable value in the financial statements.</p>	<p>Partially implemented and reiterated in Finding No. 5.</p>
<p>Area Center V, Cabatuan, Iloilo</p> <p>30. Non-compliance with the provisions of COA Circular No. 92-375 dated March 9, 1992, resulted in the difficulty in the determination of the validity and existence of the Property, Plant and Equipment Account.</p> <p>We recommended that the management carry out comprehensive inventory taking of property, Plant and Equipment (PPE) and to prepare/submit a report for the properties found at station to ascertain its validity and existence.</p> <p>We also recommended the immediate implementation of audit recommendations so that deficiencies can be corrected.</p>	<p>Not implemented and reiterated in Finding No. 5.</p>
<p>31. The provisions of COA Circular No. 97-002 on the grant and liquidation of cash advances were not fully observed by management, thus resulted in accumulation of unsettled cash advances accounted as Due from Officers and Employees amounting to P715,491.02.</p> <p>We recommended that Management observe fully the aforementioned provisions on the granting and liquidation of cash advance in the ensuing operations to minimize if not eliminate unliquidated cash advances.</p>	<p>Not implemented and reiterated in Finding No. 3.</p>

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<p>32. Due from Officers and Employees account balance of P720,491.02 showed a discrepancy of P5,000 when compared with the subsidiary Ledger balance of P715,491.02.</p> <p>We recommended that the accounting division reconcile the discrepancy in the amount of P5,000 between balance per subsidiary ledger and per audit</p>	<p>Partially implemented and reiterated in Finding No. 3.</p>
<p>33. Cash in Bank, LCCA balance in the amount of P17.130 million does not reconcile with the balances per satellite records in the total amount of P16.776 million or a difference of P353,787.84 rendering accuracy of the account doubtful.</p> <p>We recommended that the Area Accountant reconcile the discrepancy between the Subsidiary Ledger and books of satellite offices in the amount of P353,787.84. Likewise the difference of P13,115.34 in the SL balance and total amount per audit should be adjusted/corrected.</p>	<p>Not implemented and reiterated in finding No. 1.</p>
<p>34. Bid documents that were sold to suppliers were recorded as Bidder's Bond Payable, thus understating the Income account in the amount of P15,200.</p> <p>We recommended and the Area Accountant assured us that they will adjust the Income and Liability accounts effective July 2009.in the amount of P15,200 to reflect the correct amount in the financial statement.</p>	<p>Implemented.</p>
<p>35. Lack of strong internal control resulted in doubtful validity of accounts due to incomplete preparation of subsidiary ledgers and non-reconciliation of accounts with satellite airports.</p> <p>We recommended that the Acting Area Manager direct the Accountant to devise a system in the reconciling of accounts between the area center and the satellite airports. Subsidiary ledgers should be maintained for each account and every satellite airport should maintain each own record. Regular reconciliation of</p>	<p>To be coordinated with the Area Center concerned.</p>

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<p>records should also be made.</p> <p>We also recommended the immediate implementation of audit recommendations so that deficiencies can be corrected.</p>	
<p>Autonomous Region in Muslim Mindanao Awang, DOS, Maguindanao</p> <p>36. Management failed to submit to the Auditor copy/copies of Purchase Order and all supporting documents within five (5) days from issuances thereof pursuant to COA Circular No. 76-34 dated July 15, 1976 which resulted in the non-verification as to its defects or deficiencies.</p> <p>We recommended that the management instruct the concerned personnel to submit the copy/copies of PO to the auditor and comply with COA Circular No. 76-34 dated July 15, 1976.</p>	<p>To be coordinated with the Area Center concerned.</p>
<p>37. Management failed to notify the auditor within twenty four (24) hours the time and date of the delivery of the purchased items resulting in the non-verification as to its conformity to that of the items listed in the Purchase Order in violation of the COA Circular. No. 95-006 dated May 18, 1995.</p> <p>We recommended that the management shall instruct the concerned personnel to notify the auditor within twenty four (24) hours the time and date of the delivery of the purchased items and comply with COA Circular No. 95-006 dated May 18, 1995.</p>	<p>To be coordinated with the Area Center concerned.</p>

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<p>Dipolog City Field Office</p> <p>38. Checks which are no longer negotiable are still accounted as outstanding checks.</p> <p>We recommended and management agreed to cancel the subject checks and restore the respective cash that was credited in the account Cash in Bank.</p>	<p>Implemented.</p>
<p>Area Center No. VIII – Pagadian City</p> <p>39. The replaced three units of 50 KVA Distribution Transformer with an estimated depreciated value of P20,000 each or a total of P60,000 could not be found at station.</p> <p>We recommended that the Facility-in-Charge and Power Plant-in-Charge be required to produce the three units of 50 KVA distribution transformers otherwise, they could be held liable for the monetary value of the missing units.</p>	<p>To be coordinated with the Area Center concerned.</p>
<p>40. Audit of PPE account disclosed the following deficiencies:</p> <ul style="list-style-type: none"> a. Acknowledgement Receipts for Equipment (AREs) formerly, Memorandum Receipts (MRs) were not renewed since 1997; b. Newly acquired and issued equipment were not covered by ARE thus, custodianship or accountability of agency's property is not determined; and c. No property inventory was conducted for the last six years and no inventory report was prepared thus, integrity of property custodianship cannot be checked. <p>We recommended that the agency head shall require the Logistics Officer to conduct physical count of property and prepare inventory report to account the agency's assets. Renew/update and issue AREs to end-users to determine custodianship and accountability of agency's property.</p>	<p>Partially implemented and reiterated in Finding No. 5.</p>

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<p>41. Collections from agency's accounts receivable for the year amounted only to P4,010,877.28 or three percent (3%) of the total receivables of P137,114,126.40 thus, the agency failed to fulfill its mandate to serve as one of the revenue generating arms of the government.</p> <p>We recommended that management improve its revenue collections by instituting legal action on delinquent concessionaires pursuant to DOTC-ATO, AIS DO No. 98-1178.</p>	<p>Not implemented and reiterated in Finding No. 4.</p>
<p>42. Payment of telephone expenses-landline for the period January to September 30, 2008 includes call charges to unidentified landline and mobile phone numbers amounting to P31,151.91, resulting in the irregular disbursements of government funds.</p> <p>We recommended that management impose an internal policy to the effect that long distance calls be limited for urgent and absolutely necessary business of the office only. Require officers and employees to certify to the official nature of the call including the name, address and official designation of the party called by using a Call Slip of record book. We also recommended that the amount of P31,151.91 be suspended in audit until acceptable justifications be submitted.</p>	<p>Implemented.</p>
<p>43. Dipolog Airport does not regularly pay mandatory expenditures, such as water and electricity thus, resulted in seven months arrearages with an average total amount of P111,512.52 and P214,931.29, respectively, contrary to Section 17 of RA 9498.</p> <p>We recommended that Airport Manager of the Dipolog Airport settle the unpaid water and electricity expenses immediately otherwise, subject the erring officials and employees to disciplinary action/s under the provisions of Section 43, Chapter 5 and Section 80, Chapter 7, Book VI of EO No. 292. Henceforth, amount programmed for mandatory expenditures should be disbursed solely for such items.</p>	<p>Implemented.</p>