

STATUS OF PRIOR YEARS' RECOMMENDATIONS

Observations and Recommendations	Management Actions
<p>2009</p> <p>1. The correctness of the cash-in-bank account balance amounting to P3.666 billion as of December 31, 2009 could not be ascertained due to the following deficiencies:</p> <p>1.1 Non-recording of credits/withdrawals amounting to \$5,127,672.20 or P237,698,372.50 and debits/remittances amounting to \$5,688,635.20 or P263,702,373.33 from Savings Account with the Land Bank of the Philippines (LBP).</p> <p>1.2 Non-recording of withdrawals/disbursements from LBP and UCPB Savings Accounts amounting to P6.018 million and P102,764.36, respectively.</p> <p>1.3 Monthly bank reconciliation statements for the bank accounts of the Head Office and Area Centers are not prepared regularly.</p> <p>We recommended and Management agreed to:</p> <ul style="list-style-type: none"> a. Require the personnel concerned to coordinate with Landbank and request documents to support the unrecorded debits and credits to savings accounts. b. Require the Checking Unit to submit immediately to the Accounting Division documents supporting withdrawals/disbursements amounting to P6,017,609.49 and P102,764.36 from LPB and UCPB savings accounts, respectively, for recording in the books of accounts. Then require the Accounting Division to submit the same to the Auditor's Office for post audit purposes. b. Require the Accounting Division in the Head Office and in the Area Centers to prepare monthly bank reconciliation statements within ten (10) days after the end of each month and coordinate with the bank personnel and/or other Division/Unit of the Authority to document reconciling items discovered/noted so that they maybe recorded immediately in the books of accounts. c. Require the Accounting personnel concerned to see to it that figures appearing in the Schedules attached to the Journal Entry Voucher for the recording of remittances of collections tally with the figures debited to the cash in bank accounts. d. Maintain only one savings account for local currency and one for foreign currency. Closing of the savings accounts being maintained at the UCPB is more reasonable for they are not used in the daily 	<p>Partially Implemented. Only \$23,011.65 or P1,009,866.26 remained unrecorded in the dollar account and P284,200.94 in the peso account. Also, monthly bank reconciliation statements for UCPB Savings Dollar Account and LBP Savings Account, Bidder's Bond are not prepared and submitted.</p>

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<p>operations of the Authority and convert them into Time Deposit accounts.</p> <p>e. Maintain only one current account for the following purposes:</p> <ul style="list-style-type: none"> • Infra Projects; • Trust Fund accounts; and • Special Fund account. 	
<p>2. Cash in bank amounting to P1.696 billion that are not immediately needed for operations were not invested in government securities or placed under time deposit accounts. As a result, the Authority lost the opportunity to earn interest income of about P25.572 million.</p> <p>We recommended and Management agreed to implement the following measures:</p> <p>a. Set the minimum monthly fund requirement for the Authority's operations. Then, invest excess funds in a high yielding secured note, government securities and/or other negotiable securities.</p> <p>b. Assign personnel who will be responsible in the proper placements/investment of the Authority's funds not immediately needed for operations.</p>	<p>Implemented. The Authority resorted to investments in Time Deposits with LBP and UCPB for excess of cash not needed in operations.</p>
<p>3. The accuracy and validity of accounts receivable balance amounting to P5.273 billion could not be ascertained due to a) the delay in the issuance of assessments and billings of revenues; b) subsidiary records do not reconcile with the amounts appearing in the Schedule/Aging of Accounts Receivable; c) inadequate provision of allowance for doubtful accounts; d) P3.255 billion remained uncollected and outstanding for more than three years thereby casting doubts on their collectibility; and collections through direct deposits with the Authority's depository bank of receivables amounting to P331.477 million were not credited to the account but instead were credited to deferred credits account pending the identification of the clients/depositors.</p> <p>We recommended and Management agreed to implement the following measures:</p> <p>a. Instruct the Billing Section to prepare and send bills to concerned airline companies within a month after revenues are earned.</p>	<p>Not implemented. Reiterated in Comments and Observation No. 1.</p>

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<ul style="list-style-type: none"> b. Instruct the Revenue Section to inform the Area Center concerned whenever payments pertaining to their accounts were made and reconcile Subsidiary Ledger account balance with the General Ledger account balance. c. Study the proposals submitted by Philippine Airlines and negotiate for its approval, if acceptable. d. Provide adequate allowance for doubtful accounts pursuant to PAS 36. e. Implement strictly the provisions embodied in Part III of DOTC-ATO-AIS DO No. 94-763 to compel delinquent clients to pay their accounts such as sending demand letters, cancelling their contracts and imposing the 1% penalty charge per month for failure to settle their account on due date. f. Instruct the personnel concerned to secure from the bank the list of clients who made direct payments at the end of each month. 	
<p>4. Advances to Officers and Employees amounting to P50.061 million remained unliquidated even if the purpose for which they were granted have already been served contrary to pertinent provisions of COA Circular No. 97-002, dated February 10, 1997 resulting in the overstatement of the current asset account balance and understatement of the expense account balance.</p> <p>We recommended and Management agreed to the following measures:</p> <ul style="list-style-type: none"> a. Issue a memorandum requiring all Accountable Officers to liquidate their long outstanding cash advances. If necessary, withhold any money due them until their cash advances are liquidated. b. Strictly adhere to the pertinent provisions of COA Circular 97-002 dated February 10, 1997 in the granting and utilization of cash advances. 	<p>Partially implemented. The total amount was reduced to P20.627 million for travel and P3.4 million for SDOs. Nonetheless, it was reiterated in Comments and Observation No. 3.</p>

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<p>5. The existence and accuracy of the property and equipment account amounting to P1.974 billion could not be ascertained due to (a) the failure to conduct physical inventory (b) under provision of depreciation; and (c) incomplete records maintained by the Accounting Division and Supply Section in support of the General Ledger balances of Property and Equipment.</p> <p>We recommended and Management agreed to implement the following measures:</p> <ul style="list-style-type: none"> a. Require the Members of the Inventory team created under DOTC-Department Order No. 2008-09 dated March 26, 2008 to complete their inventory report. If necessary file administrative cases against them for failure to perform their assigned tasks and/or initiate the withholding of their salary until the required report is submitted. b. Create an Inventory Committee to conduct physical inventory of all the property and equipment of the Authority at least once a year to ascertain their physical existence. Then, reconcile the balances in the Report of the Physical Count of Property and Equipment with the balances per books of accounts to determine the correctness of the recorded balances. c. Require the Accounting Division to provide depreciation to all depreciable property and equipment of the Authority in compliance with IAS No. 16 and COA Circular No. 24-004-05 to reflect the correct net book value of the property and equipment accounts and correct net income for the year. d. Require the Accounting Section and the Supply Section to exert extra efforts in gathering relevant documents in order to establish the correctness of property and equipment accounts recorded in the books. e. Require the Accounting Section and the Supply Section to maintain Property Ledger Cards and Property Cards, respectively, for property and equipment which shall be reconciled regularly. 	<p>Not implemented. Reiterated in Comments and Observation No. 1.</p>

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<p>6. Property and equipment worth P4.506 billion were reclassified as other assets due to the failure of Management to determine their validity and actual existence, 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 implement the following measures:</p> <ul style="list-style-type: none"> a. Make the necessary adjustment for land, land improvements, buildings and other accounts already identified and appraised by the appraiser hired to reflect their correct account classification and value; b. Create an Inventory Team to conduct a complete physical inventory of all property and equipment and prepare the corresponding inventory report indicating therein the whereabouts and condition of all the recorded property and equipment; c. Require the Accounting Division to thoroughly analyze all property and equipment transferred to other asset account in the Head Office books to determine what Area Center they belong and to determine whether the amount appearing under other asset account are the same equipment and make the necessary adjustment where appropriate; d. Revert to the proper account, property and equipment found to be valid and existing; e. Require the Inventory Team to prepare the corresponding Inventory and Inspection Report of Unserviceable Property and submit the same to the Accounting Division as basis in retaining these unserviceable properties under the Other Asset account pending their actual disposal; and f. Investigate the causes for the loss for those which could not be accounted for, and if warranted, file appropriate charges against those who will be found liable for any loss thereof. 	<p>Not implemented. Reiterated in Comments and Observation No. 1.</p>
<p>7. Construction in Progress-Other Public Infrastructure account balance of P307.650 million is doubtful due to non-recognition of infrastructure projects worth P94.43 million completed during the year and erroneous treatment of expenditure.</p> <p>We recommended and Management agreed to require the Accounting Division a) to make the necessary adjusting entry to correct the entries made as regards the expenditure incurred in hiring appraisal company; b) to correct/adjust the entries made as regards the completed infrastructure in Dumaguete and Bagabag Airports; and c) to determine all</p>	<p>Fully implemented.</p>

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<p>completed infrastructure and record the same in their proper PPE account.</p>	
<p>8. Current assets worth P451.16 million classified as other assets are not documented, thus their validity and actual existence could not be established.</p> <p>We recommended and Management agreed to perform the following procedures:</p> <ol style="list-style-type: none"> a. Secure from the concerned depository bank the necessary records/statements pertaining to the cash-in bank accounts amounting to P35.52 million to determine the correctness and actual existence of the balance. b. Analyze entries made under the Due from the National Treasury, Due from National Government Agencies and Due from Regional Offices Accounts to determine the correctness and actual existence of the accounts. c. Identify the officers and employees whom the subject advances were granted and demand for their liquidations and/or payment. d. Secure from the depository banks documents necessary to determine the existence and correctness of Deposits on Letters of Credits account. e. Other Current Asset Accounts totaling P44,747,097, should be reclassified as Guaranty deposits to reflect the correct nature of the transactions made. Send letters to the identified agencies, such as DPWH, Caltex Philippines, the electric cooperatives, PLDT and the Courts where cases have been filed to inquire any account they have for then ATO. f. Investigate the causes why these current asset 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. g. Consider the proper disposition of dormant/unidentified accounts from the ATO books in consonance with the provision of COA Circular No. 97-001 dated February 17, 1997. 	<p>Partially implemented. Reiterated in Comments and Observation No. 1.</p>

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<p>9. The validity of the recorded Deposits on Letters of Credits amounting to P18.332 million is doubtful considering the long period they have been outstanding in the books. Likewise, details of the account could not be determined due to lack of subsidiary record.</p> <p>We recommended and Management agreed to implement the following measures:</p> <ul style="list-style-type: none"> a. Require the Accounting Section to exert extra efforts to determine the banks wherein subject deposits were made. In that manner, confirmation can be made to determine whether these deposits still exist. b. For proper control and monitoring of the General Ledger account, require the maintenance of Subsidiary Ledgers for accounts consisting of several individual accounts and/or transactions. c. Consider the proper disposition of dormant/unidentified accounts from the ATO books in consonance with the provision of COA Circular No. 97-001 dated February 17, 1997. 	<p>Not implemented. Reiterated in Comments and Observation No. 1.</p>
<p>10. Deferred Charges account balance of P0.303 million do not reconcile with the account balance of P140.690 million or \$3.037 million per the Consolidated Statement of Estimated Fund Balance submitted by International Civil Aviation Organization (ICAO).</p> <p>We recommended and Management agreed to implement the following measures:</p> <ul style="list-style-type: none"> a. Require the Accounting Division to reconcile its records with the ICAO records and make the necessary adjustments where appropriate; b. Require ICAO to submit quarterly report of accomplishments as compared with the target objectives/outputs and quarterly report of disbursements together with the supporting details. Also, require the submission of an audited year end financial report. c. If ever a renewal of the Project will be made, issue a new Trust Agreement and include a clear provision as regards the following: <ul style="list-style-type: none"> - the ownership of the non-expendable equipment procured out of the Trust Fund upon the completion/termination of the Project; and - Reports to be submitted, the supporting documents/schedules to be attached and when 	<p>Partially implemented. Reiterated in Comments and Observation No. 2.</p>

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these reports shall be submitted.	
<p>11. The validity and existence of the Due from Central Office, Due from Regional Office, Due to Central Office and Due to Regional Office account balances of P10.281 million, P200.934 million, (P71.834 million) and P84.148 million, respectively are doubtful considering that these accounts are reciprocal accounts that should be eliminated or should have a zero balance at the end of the accounting period and upon consolidation of the financial statements of the Head Office and the Area Centers.</p> <p>We recommended and Management agreed to implement the following measures:</p> <ol style="list-style-type: none"> a. Issue accounting guidelines on the recording of fund transfers from the Central Office to the Area Centers and the recording of collection and remittances of Area Centers. b. Require the Accounting Division to furnish the concerned Area Center Accounting Unit a copy of the Journal Entry Voucher (JEV) issued whenever a debit or a credit to the Due from/to Regional Office accounts was made. c. Require the concerned Area Center Accounting Unit to furnish the Central Office Accounting Division a copy of the Journal Entry Voucher (JEV) issued whenever a debit or a credit to Due from/to Head Office account was made. <p>Prior to the closing of books of accounts, reciprocal accounts should be reconciled so that upon combination of the financial statements of the Head Office and Area Centers, these accounts will have a zero balance.</p>	<p>Partially implemented. Reiterated in Comments and Observation No. 1.</p>
<p>12. The validity and actual existence of Due to Central Office-DOTC account balance of P51.400 million in the Head Office books could not be ascertained because the account has been outstanding for more than three (3) years and documents to support the account could not be presented.</p> <p>We recommended and Management agreed to require all persons concerned to coordinate with the Finance Department of the Department of Transportation and Communications to determine the purposes of the fund transferred by them to then ATO. In that manner, proper liquidation maybe made and closed the account. Also, we recommended for the reclassification of the account to Due to National Government Agency considering that the Authority is no longer a Bureau under the DOTC and its financial statements are no longer consolidated with the said</p>	<p>Partially implemented. Reiterated in Comments and Observation No. 1.</p>

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Department.	
<p>13. The accuracy and correctness of Advances to Contractors account balance of P4.605 million is doubtful due to the long period they have been outstanding in the books and some accounts have abnormal or credit balances.</p> <p>We recommended and Management agreed to require the Accounting Division to make a thorough analysis of the accounts with abnormal or credit balances and the long outstanding accounts and make the necessary adjustments where appropriate.</p>	<p>Partially implemented. As of December 31, 2010, the Advances to Contractors Account (GL-181) has an outstanding balance of P 2,860,730.37.</p>
<p>14. The validity and propriety of the Due from National Government Agencies and Due from Local Government Units account balances amounting to P69.624 million and P42.471 million, respectively, could not be ascertained due to a) the long period they have been outstanding in the books, b) inclusion of unidentified accounts, and c) erroneous recording of transactions.</p> <p>We recommended and Management agreed to implement the following measures:</p> <ol style="list-style-type: none"> a. Require the Accounting Section to coordinate with the National Housing Authority, the Province of Misamis Oriental and the Department of National Defense for them to submit report of expenditures to liquidate the funds transferred to them. To avoid the same deficiency, Memorandum of Agreement with other government agencies should have a clear provision on the liquidation of the fund transfer. b. See to it that no additional fund transfer is given to any national government agency and local government unit unless previous fund transfer is liquidated. c. Require the Accounting and Supply Section to coordinate with the Procurement Service to reconcile the Authority's records with their records to determine the correctness of their account balances. d. Require the Accounting Section to record to the appropriate expense account funds transferred to the National Printing Office, Land Registration Office, Philippine Postal Corporation and to Clifford Domingo. e. Require the maintenance of Subsidiary Ledger for each debtor/creditor for proper control and monitoring of the General Ledger account. f. Consider the proper disposition of dormant/unidentified accounts from the ATO books in consonance with the provision of COA Circular No. 97-001 dated February 17, 1997. 	<p>Partially implemented. Reiterated in Comments and Observation No. 1.</p>

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<p>15. Hiring of consultants was not in accordance with DBM National Budget Circular No. 433, dated March 1, 1994 and CSC Memorandum Circular No. 26 and 26 A, series of 1997.</p> <p>We recommended and Management agreed to the following:</p> <ul style="list-style-type: none"> a. review the need to hire consultants in line with the existing laws, rules and regulations particularly, Section 33 of PD 1445 on excessive, irregular and unnecessary expenditures; and b. strictly observe the guidelines on hiring consultants under Section 3 of DBM Circular No. 433 and CSC Memorandum Circular No. 26. 	<p>Not implemented. Reiterated in Comments and Observation No.6.</p>
<p>16. Security and janitorial services contracts were extended beyond the allowable one (1) year period contrary to the Revised Guidelines on the Extension of Contracts for General Support Services. Likewise, three (3) months after the opening of the bids, no security service contract was awarded contrary to Section 38.1 of the IRR of RA 9184.</p> <p>We recommended and Management agreed to strictly adhere to Sections 4 of the GPPB Revised Guidelines on the Extension of Contracts for General Support Services and Section 38.1 of the Implementing Rules and Regulations of RA 9184.</p>	<p>Not implemented. Reiterated in Comments and Observation No. 7.</p>
<p>17. Not all insurable property and equipment of the Authority were insured through the General Insurance Fund of the Government Service Insurance System (GSIS) contrary to Section 489 of the Government Accounting and Auditing Manual (GAAM), Volume I.</p> <p>We recommended and Management agreed that after completing the inventory taking and establishing the acquisition and/or appraisal cost of all property and equipment of the Authority, all insurable property and equipment will be insured with the General Insurance Fund of the GSIS.</p>	<p>Not implemented. Reiterated in Comments and Observation No. 1.</p>
<p>18. Audit disallowances/charges amounting to P29.351 million remained outstanding for more than two years.</p> <p>We recommended and Management agreed to determine all persons liable for the entire audit disallowances amounting to P29.337 million. Then, implement a mechanism on how to collect said audit disallowance, such as deducting a fixed amount from the salary of the persons liable concerned until</p>	<p>Partially implemented. Reiterated in Comments and Observation No. 1.</p>

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the audit disallowances are fully settled.	
<p>19. Representation expenses amounting to P838,218 were irregular, excessive and unnecessary pursuant to COA Circular No. 85-55A.</p> <p>We recommend that Management implement the following:</p> <ol style="list-style-type: none"> 1. Require the Officer-in-Charge, Deputy Director General for Administration to refund the amount claimed for representation which were determined to be irregular, excessive and unnecessary. 2. Strictly observe the austerity measures adopted by the government as prescribed under Administrative Order 103; 3. Issue guidelines on the payment of representation expense by specifically stating what and when an expense will qualify as representation expense and the necessary documents to support the same, subject to the applicable laws, rules and regulations. 	<p>Issued Notice of Disallowance per ND No. 11-001-(09) dated April 26, 2011 amounting to P 562,956.47.</p>
<p>Area Center V</p> <p>20. Monthly financial reports are not submitted within the reglementary period contrary to Section 100 of Presidential Decree No. (P.D.) 1445, thus, prescribing the Auditor from conducting timely audit thereof.</p> <p>We recommended that the concerned accountable officers submit the required monthly reports within five days of the following month to the Office of the Auditor for audit, pursuant to Section 100 of P.D. 1445.</p>	<p>Partially Implemented.</p>
<p>21. Unserviceable properties which still have undetermined scrap value were dumped at the back of Crash Fire and Rescue Building of the Silay-Bacolod Airport, thus exposing the said properties to elements or theft.</p> <p>We recommended that Management create a Disposal Committee who shall prepare an Inventory and Inspection Report of Unserviceable Properties for appropriate disposal, to be approved by the Airport Manager. This will clear the area at the back of the Crash Fire and Rescue Building.</p>	<p>Partially Implemented.</p>
<p>22. Spare Parts Inventory amounting to P8.772 million as of December 31, 2009 is not supported with schedule and physical existence could not be established in the warehouse, thus the spare parts inventory account could not be ascertained.</p> <p>We recommended that Management secure copy of the Deed of Donation and other pertinent documents to</p>	<p>Partially Implemented.</p>

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<p>establish the existence of spare parts inventory account.</p>	
<p>Area Center VI</p> <p>23. Prevalence of errors in the recording of collections including an erroneous and unauthorized adjustment in CY 2008 were noted thereby raising doubts on the accuracy and reliability of the reported Cash Collecting Officer Account beginning balance of P19.218 million.</p> <p>We recommended to Management the following measures:</p> <ol style="list-style-type: none"> 1. Evaluate the capabilities of the personnel manning the accounting section and make some reassignment of personnel, if warranted. 2. Caution should be taken in entrusting the bookkeeping chores to job order personnel, especially, if there is very minimal supervision done by supervisors. 3. Monitoring and review should be emphasized to avoid unnecessary errors which have remained undetected. 4. Periodic reconciliation between the accounting section and the cashiering section should be done to ensure the balance of the account is correct. 	<p>Partially Implemented.</p>
<p>24. Disbursements amounting to P23.017 million were not properly approved and/or supported with the documents establishing their validity and correctness contrary Section 168 of the GAAM, Volume I.</p> <p>We recommended that Management ensure that all the basic requirements enumerated under Section 168 of the GAAM, Volume I are complied with before any disbursement is made to establish the validity/propriety and correctness of the transactions.</p>	<p>Partially Implemented.</p>
<p>Area Center VII</p> <p>25. Payables totaling P238,669 is of doubtful validity because of the absence of documents in support thereof.</p> <p>We recommended that the Accountant determines the validity of all outstanding obligations. Those found valid should not be allowed to remain unsettled beyond the period of two (2) years. Payables without specific claimants should be reverted to Government Equity.</p> <p>Henceforth, only obligations with proper and complete documentation should be recorded in the books of accounts.</p>	<p>Implemented.</p>

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<p>26. The Accounting Unit did not strictly follow the accounting procedures and did not use some of the accounting forms, records, reports and books of accounts prescribed in the New Government Accounting System (NGAS) in accounting for expenditures, revenues and other transactions which caused delay in the submission of financial reports and difficulty in the audit of transactions, accounts and operations.</p> <p>We recommended that the Disbursing Officer and the Area Accountant strictly follow the accounting procedures and use the required forms, records, books and reports in the NGAS. All records and books should be kept up-to-date and always available for reference and audit.</p>	Partially Implemented.
<p>27. The designated Collecting Officer failed to deposit collections promptly and intact contrary to the provisions of Joint MOF-COA Circular No. 1-81, thereby exposing funds to risk of misappropriation or loss.</p> <p>We recommended that the practice of retaining collections be discontinued. The Collecting Officer should deposit promptly and intact all collections turned over to him by the collectors, with the authorized depository bank daily or not later than the next banking day to avoid the risk of possible misappropriation or loss.</p>	Partially Implemented.
<p>Area Center IX</p> <p>28. Collections totaling P428,271.55 were not remitted to the Authority's depository bank more than one (1) year after receipt thereof in violation of Section 69.1 of Presidential Decree 1445 (PD 1445).</p> <p>We recommended and Management agreed to secure from CAAP Central Office a copy of the retirement claims of the deceased accountable officer assigned then at CAAP, Surigao City to document the restitution of his shortage in the amount of P52,271.55 in order to close his accountability/liability. Also, send demand letter to the dismissed accountable officer assigned then at CAAP, Cagayan de Oro City to collect the unremitted collections amounting to P376,000.</p>	Not Implemented.
<p><u>2008</u></p> <p>29. The existence, validity and correctness of the balances of the assets, liabilities and National Government equity</p>	Partially implemented. Reiterated in

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<p>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>Comments and Observation No. 1.</p>
<p>30. 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> <ol style="list-style-type: none"> 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 forms; liquidation of cash advances; liquidation of fund transfers (Due From and Due to Accounts) and cash examination of collecting and disbursing officers. 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>Partially implemented. Reiterated in Comments and Observation No. 1.</p>

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<p>31. 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> <ol 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; 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 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>Partially implemented. Reiterated in Comments and Observation No. 1.</p>
<p>32. 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>Partially implemented. Reiterated in Comments and Observation No. 1.</p>

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<p>33. 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. Reiterated in Comments and Observation No. 1.</p>
<p>34. 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. Reiterated in Comments and Observation No. 1.</p>
<p>35. The validity and reliability of the balances of Deferred Charges and Guaranty deposits amounting to P139.327 million 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; and 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. Reiterated in Comments and Observation No. 2.</p>

Observations and Recommendations	Management Actions
<p>36. 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. Reiterated in Comments and Observation No. 1.</p>
<p>37. 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. Reiterated in Comments and Observation No. 1.</p>
<p>38. 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. Reiterated in Comments and Observation No. 1.</p>
<p>39. 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. Reiterated in Comments and Observation No. 1.</p>
<p>40. 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. Reiterated in Comments and Observation No. 3.</p>

Observations and Recommendations	Management Actions
<p>41. 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>Partially implemented. Reiterated in Comments and Observation No. 3.</p>
<p>42. 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. Reiterated in Comments and Observation No. 6.</p>
<p>Area I - Baguio City Operating Unit</p> <p>43. 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.</p>
<p>Area Center III</p> <p>44. Cash advances (CA) in the amount of P268,638.14 remained outstanding at the end of the year, in violation of COA Circular No. 97-002 dated February 10, 1997, thereby overstating/understating the asset and liability account by the same amount.</p> <p>We recommended for the immediate liquidation of all cash advances granted to officers and employees.</p>	<p>Partially implemented.</p>
<p>Area Center V</p> <p>45. 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</p>	<p>Partially implemented. Reiterated in Comments and Observation No. 1.</p>

Observations and Recommendations	Management Actions
<p>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>46. 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 aforecited provisions on the granting and liquidation of cash advance in the ensuing operations to minimize if not eliminate unliquidated cash advances.</p>	<p>Partially implemented. Reiterated in Comments and Observation No. 3.</p>
<p>Area Center VIII</p> <p>47. 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. Reiterated in Comments and Observation No. 1.</p>
<p>48. 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</p>	<p>Partially implemented. Reiterated in Comments and Observation No. 1.</p>

Observations and Recommendations	Management Actions
<p>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>	