

## STATUS OF PRIOR YEARS' RECOMMENDATIONS

| Recommendations   | Management Actions   |
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| <p>1. Accounts Receivable</p> <ul style="list-style-type: none"> <li>• Formulate and adopt a policy on the assessment, billing and collection of revenue to effectively manage and improve revenue collections and adopt sound internal controls and exert extra effort to analyze and reconcile the individual account receivable as reflected in the aging schedules to come up with the correct SL balances and follow the timely submission of the SL and stop using the deferred credit account in recording collections; and,</li> <li>• Give utmost importance to the proposed Term Sheet of PAL since proceeds of which can help finance the needed improvements of the CAAP facilities.</li> </ul> <p>2. Other Assets</p> <ul style="list-style-type: none"> <li>• Exert extra effort to validate, document and prepare the necessary adjustments to properly classify the Current Assets, Property and Equipment and Unserviceable and fully depreciated assets accounts lodged in the Other Asset account in the total amount of P4.376 billion.</li> </ul> <p>3. Cash</p> <ul style="list-style-type: none"> <li>• Prepare the adjusting entries to adjust the understatement and overstatement of the Loss on FOREX and Cash accounts, respectively, and to record the interest income and to adhere to the provisions of PAS 21 particularly on the recognition of the gain or loss on FOREX;</li> <li>• Exert best efforts to obtain documents pertaining to unrecorded transactions and prepare the Monthly Bank Reconciliation Statements on the two (2) accounts and submit all the Monthly Bank Reconciliation Statements on time and prepare immediately the adjusting entries for reconciling items per bank reconciliation statements.</li> <li>• Coordinate with PNB regarding the inactive cash account with a balance of P758,854.90 due to various unpaid loans of then ATO employees.</li> </ul> | <p>Not implemented. Reiterated in Comments and Observations No. 2.</p> <p>Not implemented. The accumulated accounts receivable from PAL as of December 31, 2011 totaled to P3.727 billion.</p> <p>Partially implemented. The Authority had already identified disposable properties/scrap materials which they plan to dispose. Reiterated in Comments and Observations No. 1.</p> <p>Fully implemented.</p> <p>Fully implemented.</p> <p>Not implemented.</p> |

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| <p>4. Property, Plant and Equipment (PPE)</p> <ul style="list-style-type: none"> <li>• Submit the 2010 Report on Physical Count of PPE and require the Accounting Division to maintain the required equipment ledger cards to ascertain the correct balances of PPE accounts as at December 31, 2010 and conduct physical inventory of all the motor vehicles of the CAAP Head Office and reconcile the inventory report with the Accounting Division to be able to recognize/derecognize the motor vehicles in the Authority's books of account. Accordingly, correct depreciation expenses must be recorded in the books of accounts; and,</li> <li>• Insure all insurable properties and equipment of CAAP with the General Insurance Fund of the GSIS.</li> </ul> <p>5. Letters of Credit</p> <ul style="list-style-type: none"> <li>• Exert extra efforts to determine the banks wherein subject deposits on letters of credit amounting to P18.332 million were made.</li> </ul> <p>6. Reciprocal Accounts</p> <ul style="list-style-type: none"> <li>• 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 to ensure that the accounts Due from Regional Offices and Due to Central Office, with balances amounting to P136.790 million and P62.720 million, respectively, on December 31, 2010 are reconciled and eliminated in the preparation of the financial statements.</li> </ul> <p>7. Due from DOTC/ Due to Other NGAs</p> <ul style="list-style-type: none"> <li>• Coordinate with the Department of Transportation and Communications to determine the purpose of the P51.4 million fund transferred to then ATO (which was recorded as Due from DOTC and later reclassified as Due from Other NGAs) so that proper liquidation maybe made to close the account.</li> </ul> <p>8. Due from National Government Agencies (NGAs) and Due from Local Government Units (LGUs)</p> <ul style="list-style-type: none"> <li>• Require the Accounting Section to validate and coordinate with the different government agencies for them to submit report of expenditures to liquidate the funds transferred to them: Due from National</li> </ul> | <p>Not implemented. Reiterated in Comments and Observations No. 3.</p> <p>Not implemented.</p> <p>Not implemented. Reiterated in Comments and Observations No. 5.</p> <p>Not implemented. Reiterated in Comments and Observations No. 4.</p> <p>Not implemented. Reiterated in Comments and Observations No. 6.</p> <p>Not implemented since 2009. Reiterated in Comments and Observations No. 1.</p> |

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| <p>Government Agencies of P67.81 million and Due from Local Government Units of P42.497 million as of December 31, 2010.</p> <p>9. Receivables-Disallowances/Charges</p> <ul style="list-style-type: none"> <li>• Determine all persons liable for the entire audit disallowances amounting to P26.584 million and implement a mechanism on how to collect said audit disallowance, such as deducting a fixed amount from the salary of the concerned persons liable until the audit disallowances are fully settled.</li> </ul>  | <p>Partially implemented. As of December 31, 2011, the balance of Receivables-Disallowances/Charges Account was P 26.214 million. Reiterated in Comments and Observations No. 1.</p> |
| <p>10. TRUST FUND AGREEMENT WITH ICAO</p> <ul style="list-style-type: none"> <li>• Submit to the Office of the Auditor the following: <ul style="list-style-type: none"> <li>○ Justification as to the continuance of the Trust Fund Agreement and the reasons why the Philippine Civil Aviation has not regained the Category I (Pass) status;</li> <li>○ Management Reports on the status of the eight (8) critical deficiencies noted by FAA in its audit report in 2007 since the creation of CAAP in 2008;</li> <li>○ Annexes to the Trust Fund Agreement and amendments thereto, if any;</li> <li>○ Necessary documents to support the basis for remittances to ICAO from 1996 to 2008 and the supporting documents pertaining to the disbursement schedules for validation.</li> </ul> </li> <li>• Require the Accounting Division to reconcile the recorded transactions with ICAO records and immediately prepare the necessary adjusting entries: <ul style="list-style-type: none"> <li>○ Prepare the liquidation reports for the remittances intended for the annual contribution to the Cooperative Development for Operational Safety and Continuing Airworthiness Program- South East Asia (COSCAP- SEA) by the Philippines and the payment for the purchase of ICAO annexes for AANSOO to adjust the account;</li> <li>○ Prepare the adjusting entry to reclassify the expenses incurred thru the trust fund from training expenses to consultancy services;</li> <li>○ Maintain subsidiary ledger for Deferred Charges account.</li> </ul> </li> </ul> | <p>Not implemented. The Authority has spent a total of \$14.835 million from its inception in 1996 up to 2011. Reiterated in Comments and Observations No. 8.</p>                    |

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| <ul style="list-style-type: none"> <li>• Require ICAO, through the International Civil Aviation Coordinating Staff (ICACS), to submit promptly the periodic statements as stated in Clause 7 of the Trust Fund Agreement to closely monitor the Trust Fund account balance.</li> <li>• Make representations with ICAO for the amendments of the Trust Fund Agreement or draw a new Agreement, if necessary, with clear provisions on the following: <ul style="list-style-type: none"> <li>○ the ownership of the non-expendable equipment procured from Trust Fund Agreement upon completion/termination of the project;</li> <li>○ reports to be submitted, supporting schedules &amp; attachments &amp; when these reports shall be submitted; and</li> <li>○ other necessary provisions beneficial to the Philippine Government.</li> </ul> </li> </ul> |  |
| <p>11. Unliquidated Cash Advances</p> <ul style="list-style-type: none"> <li>• Enforce liquidation/settlement of all unliquidated cash advances in the total amount of P27.253 million as of December 31, 2010 and withhold any money due them until their cash advances are liquidated and henceforth, strictly adhere to the pertinent provisions of COA Circular 97-002 dated February 10, 1997 in granting and utilization of cash.</li> </ul>  | <p>Partially implemented. The unliquidated prior years' cash advances for travelling expenses as of December 31, 2011 were P11.254M. Reiterated in Comments and Observations No. 10.</p> |
| <p>12. Obligated Transactions</p> <ul style="list-style-type: none"> <li>• Adjust erroneous recording of obligated transactions in the Head Office amounting to P7.809 million. Likewise, the obligated transaction in Area 4 amounting to P6.027 million must be supported with documents to ascertain the validity of the transaction.</li> </ul>   | <p>Fully implemented.</p>  |
| <p>13. Procurement</p> <ul style="list-style-type: none"> <li>• Procure needed equipments, supplies and other regular expenses based on the approved Annual Procurement Plan.</li> <li>• Reduce the number of PCCs/SDOs and refrain from using the Petty Cash Fund to pay the regular</li> </ul>  | <p>Not implemented. Reiterated in Comments and Observations No. 9.</p>   |

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| <p>expenses;</p> <ul style="list-style-type: none"> <li>• Avoid the splitting of procurement transactions.</li> </ul>  |  |
| <p>14. Consultancy Contracts</p> <ul style="list-style-type: none"> <li>• Submit to COA: <ul style="list-style-type: none"> <li>○ copies of contracts for the year 2010 of the ninety one (91) consultants for review together with the Personal Data Sheet or Resume and training certificates and documents in relation to their expertise.</li> <li>○ Accomplishment Reports in connection with the duties and responsibilities and the Daily Time Record to prove the validity of the claims.</li> </ul> </li> <li>• Review the need to hire consultants in line with the existing laws, rules and regulations.</li> </ul> | <p>Not implemented since 2008. Reiterated in Comments and Observations No. 13.</p>                             |
| <p>15. Extension of Contracts</p> <ul style="list-style-type: none"> <li>• Strictly adhere to the provisions 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 in the extension of security service contract which was made beyond the allowable one (1) year period.</li> </ul>  | <p>Not implemented since 2009.</p>   |
| <p>16. Honoraria to Members of the Board</p> <ul style="list-style-type: none"> <li>• Comply with the provisions of DBM 2007-510 dated May 8, 2007 with regard to the payment of Honoraria in the form of Per Diems to the CAAP Board of Directors who hold positions in ex officio capacities in the total amount of P585,000.00.</li> </ul>  | <p>Issued Notice of Disallowance (ND) No. 11-002-(2010) dated October 19, 2011.</p>                            |
| <p>17. Reimbursable Allowances to OGCC lawyers</p> <ul style="list-style-type: none"> <li>• Strictly adhere to the provisions of E.O. 878 dated March 4, 1983 on the payment of monthly reimbursable allowance to lawyers of the Office of the Government Corporate Counsel (OGCC).</li> </ul>   | <p>Issued Notice of Suspension (NS) No. 11-02-(2010) dated October 17, 2011 in the amount of P1.2 million.</p> |

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| <p>18. Issuance of gasoline to private vehicles</p> <ul style="list-style-type: none"> <li>Strictly implement and adhere to the pertinent provisions of Administrative Order No. 239 and COA Circular No. 77-61 dated September 26, 1977 prescribing the use of the “Manual on Audit for Fuel Consumption of Government Motor Vehicles” to avoid issuance of gasoline and diesel to privately-owned vehicles.</li> </ul>  | <p>Issued Notice of Suspension (NS) No. 11-03-(2010) dated December 12, 2011 in the amount of P1.3 million.</p> |
| <p>19. Representation Expenses</p> <ul style="list-style-type: none"> <li>Submit to COA all documents to prove the validity and correctness of the representation expenses incurred amounting to P1.403 million.</li> <li>Issue guidelines on the payment of representation expense by specifically stating what and when expenses will qualify as representation expense and the necessary documents to support the same.</li> </ul>                                   | <p>Issued Notice of Suspension (NS) No. 11-001-(2010) dated October 17, 2011.</p>                               |
| <p>20. Withholding and Remittance of taxes</p> <ul style="list-style-type: none"> <li>Evaluate the system in the withholding and remittance of taxes withheld to comply with Revenue Regulations and ensure that taxes withheld are remitted within the prescribed period to avoid penalties.</li> <li>Maintain subsidiary ledgers for each type of taxes withheld to support the controlling GL account and facilitate compliance with Revenue Regulations.</li> </ul> | <p>Partially implemented. Only the taxes withheld from contractors/supplies remained unremitted to the BIR.</p> |
| <p><b>AREA 4</b></p> <p>21. Completed Projects</p> <ul style="list-style-type: none"> <li>Request the Accountant to immediately reclassify completed projects totaling to P13.451 million from Construction in Progress account to the appropriate PPE accounts.</li> </ul>   | <p>Not implemented.</p>   |
| <p><b>AREA 5</b></p> <p>22. Erroneous Entry</p> <ul style="list-style-type: none"> <li>Require the Accountant to draw a Journal Entry Voucher (JEV) to correct the erroneous entries made totaling P8.904 million using the account “Other Prepaid Expenses”.</li> </ul>  | <p>Partially implemented.</p>   |