

## **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Several follow-ups on the action taken by the Authority to implement the prior years' recommendations were made and we noted that out of 45 recommendations, 14 were fully implemented/reconsidered, four were partially implemented and 27 were not implemented. The results of our validation of the implementation are shown in the table as follows:

<b>Reference</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Status of Implementation</b>
2010 AAR No. 2, page 33.	1. Cash In Bank-Local Currency (PNB)- GL 111-06 with Account No. 116392700012 maintained in Philippine National Bank (PNB) with outstanding balance of P758,854.90 was inactive over a long period and on hold by the bank due to various unpaid All Purpose Salary Loan of various employees of then ATO, now CAAP contrary to PD 1445.	<ul style="list-style-type: none"> <li>• Make arrangement with PNB to transfer the balance of the ATO account to CAAP.</li> <li>• Close the account and transfer it to the LBP mother account to use it in the operations of the Authority.</li> </ul>	Fully Implemented  Not implemented PNB account was reactivated pending transfer of the fund in the mother account.
2012 AAR No. 1, page 28 (Included in the AAR since 2008)	2. The fairness of the balance of Property and Equipment cannot be substantiated because of lack of inventory taking and inadequacy of records relative thereto.	<ul style="list-style-type: none"> <li>• Conduct yearly physical count of the Authority's property and equipment to establish their existence, condition and to support and to support the PE balance reflected in the financial statements;</li> <li>• Draw journal vouchers to derecognize at the Central Office books the properties pertaining to the Area Centers and provide copies thereof to the Area Centers concerned so that they could, in turn, recognize the same in their books;</li> </ul>	Not Implemented Reiterated in Part II, No. 2.  Fully implemented

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		<ul style="list-style-type: none"> <li>Fully establish ownership over the sixteen (16) unrecorded vehicles and recognize the same in CAAP's books of accounts, and,</li> </ul>	Not implemented Reiterated in Part II, No. 2.
2010 AAR No. 1, page 30	3. Not all properties 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.	<ul style="list-style-type: none"> <li>Insure all insurable properties and equipment of CAAP with the General Insurance Fund of the GSIS.</li> </ul>	Not implemented Reiterated in Part II, No. 3.
2012 AAR No. 1, page 28 (Included in the AAR since 2008)	4. The validity of the recorded Deposit on Letters of Credit 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.	<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>	Not Implemented Reiterated in Part II, No. 2.
2011 AAR No. 4, page 30 (Included in the AAR since 2008)	5. 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 are doubtful considering that these accounts are reciprocal accounts that should be eliminated or	<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</li> </ul>	Partially Implemented Due to Central Office and Due from Regional Office accounts were already adjusted, Due from Regional Office, and Due to Regional Office

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	<p>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>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.</p>	<p>account balances remained unadjusted Reiterated in Part II, No. 2.</p>
<p>2010 AAR No. 1, page 27</p>	<p>6. Due from National Government Agencies (NGAs) and Due from LGUs accounts could not be ascertained due the inadequacy of accounting records. Since the transfer of the account balances from ATO, no significant adjustments were made.</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>Not Implemented Reiterated in Part II, No. 2.</p>
<p>2010 AAR No. 13, page 50</p>	<p>7. Taxes withheld from employees and contractors/suppliers remained unremitted to the BIR contrary to the Revenue Memorandum Circular No. 23-2007 and Revenue Regulations No. 2-98 dated April 17, 1998, thus depriving the national government of the immediate use of the much needed funds.</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 Reiterated in Part II, No. 9.</p> <p>Not implemented Reiterated in Part II, No. 9.</p>

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	<p>8. Significant balances of accounts transferred from the abolished Air Transportation Office (ATO) carried in the CAAP books since 2008 remained doubtful.</p>	<ul style="list-style-type: none"> <li>• Resolve the existence, validity and propriety of ATO-asset accounts; and</li> <li>• Create a Special Committee be created to focus on this task</li> </ul>	<p>Not Implemented Reiterated in Part II, No. 2.</p> <p>Not implemented Reiterated in Part II, No. 2.</p>
<p>2012 AAR No. 2, page 29</p>	<p>9. Accounts Payable totaling P111.943 million were certified as payables based on the Budget Utilization Requests (BURs) without the submission of supporting documents to warrant the recognition and recording of the obligation.</p>	<ul style="list-style-type: none"> <li>• Instruct the Finance Department to submit record only those obligated transactions with complete supporting documents and ensure that obligations are recognized in the books only when goods or services have been delivered or rendered based on the valid supporting documents and prepare adjusting entries for undocumented claims;</li> <li>• Maintain subsidiary ledgers (SL) for accounts payable.</li> </ul>	<p>Not implemented Reiterated in Part II, No. 4.</p> <p>Not implemented. Reiterated in Part II, No. 4.</p>
<p>2012 AAR No. 3, page 30</p>	<p>10. Failure of the Authority to issue the assessment and billing statements for the operational charges on time resulted to non-collection of earned revenues for CY 2012 OF P1.45 billion.</p>	<ul style="list-style-type: none"> <li>• Immediately acquire a program or a system to hasten the assessment and preparation of billings to the airline companies so that the recognition and collections of earned revenues could be recorded on the period it was earned; and</li> </ul>	<p>Fully Implemented /Implementation considered per management's reply to issued AOM No. 14-017 (2013) which explained that with the completion of the Communication, Navigation and Surveillance/Air</p>

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		<ul style="list-style-type: none"> <li>• Create a committee to study on the contents of CAAP Circular No. 03-11 series of 2011, to come up with a more comprehensive guideline to optimize the revenue collections of the Authority.</li> </ul>	<p>Management System (CNS/ATM) in CY 2015, the billing will be automatically forwarded to the Airlines upon the use of the airport equipments and facilities, hence billing will be updated.</p> <p>Not implemented Reiterated in Part II, No.2.</p>
2012 AAR No. 4, page 31	11. Despite significant unexpected trust fund balances, the Authority has remitted to the International Civil Aviation Organization (ICAO)	<ul style="list-style-type: none"> <li>• Submit explanation/justification on why the remittances were made despite the significant balance of the ICAO Trust Fund and update COA on the status of the Management Service Agreement (MSA) dated September 25, 2007 and the required supporting documents to validate the disbursements made out of the Trust Fund; and</li> </ul>	<p>Partially implemented The Management coordinated with ICAO regarding the status of Trust Funds.</p> <p>Management stated that ICAO Montreal regularly submitted a status of funds on a quarterly basis. The Accounting Division is currently reconciling the records between the Authority and</p>

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		<ul style="list-style-type: none"> <li>Adjust to expense accounts the 2011 contributions to ICAO.</li> </ul>	<p>ICAO. Reiterated in Part II, No. 4.</p> <p>Fully Implemented</p>
<p>2012 AAR No. 5, page 32</p>	<p>12. Unreliable balance of Advances to Officers &amp; Employees account in the Head Office due to difference as compared to the totals of the subsidiary ledgers. Further, prior year's cash advances for travel and former SDOs remained unliquidated despite the issuance of COA Circular No. 2012-004.</p>	<ul style="list-style-type: none"> <li>Enforce liquidation/settlement of all unliquidated cash advances in accordance with the provisions of COA Circular No. 2012-004 and withhold any money due them until their cash advances are liquidated;</li> <li>Adhere to the pertinent provisions of COA Circular 97-002 dated February 10, 1997 in granting and utilization of cash; and</li> <li>Submit explanation why those retired, separated and deceased employees were able to leave CAAP without settling all their accountabilities.</li> </ul>	<p>Not implemented Personnel with unliquidated cash advances will be the last priority in the promotion.</p> <p>Implementation on the withholding of salary and / or money due to officers/employees with outstanding cash advances will be considered. Reiterated in Part II, No. 4.</p> <p>Not implemented Reiterated in Part II, No. 4.</p> <p>Not implemented Verification / reconciliation shall be undertaken to check whether those retired employees have not settled their accountabilities. Reiterated in Part II, No. 4.</p>



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<p>2012 AAR No. 10, page 39</p>	<p>15. Deficiencies were noted in our conduct of Cash Examination of the cash accountabilities of 24 Petty Cash Custodians (PCCs) and three (3) Collecting Officers.</p>	<ul style="list-style-type: none"> <li>• Petty Cash Custodians</li> </ul> <p>Ensure that:</p> <ul style="list-style-type: none"> <li>a. Petty Cash Funds should only be used for cash payment of operating expenses in small amounts which could not conveniently be paid in checks or which require immediate payment;</li> <li>b. special cash advances should be used only for payment of current operating expenses which are difficult, impractical or impossible to make payments by checks;</li> <li>c) goods and services should be acquired thru public bidding or alternative methods of procurement as required under RA 9184;</li> <li>d) the number of Petty Cash Funds and Special Cash Advances should be reduced and the establishment and utilization of these funds should comply with the requirements of COA Circular No. 97-002.</li> </ul> <ul style="list-style-type: none"> <li>• Collecting Officers</li> </ul> <ul style="list-style-type: none"> <li>a. Order all authorized collecting officers to strictly deposit the collected funds intact and not later than the following day;</li> </ul>	<p>Not implemented. Reiterated in Part II, No. 4.</p> <p>Not implemented. Reiterated in Part II, No. 4.</p> <p>Not implemented. Reiterated in Part II, No. 4.</p> <p>Not implemented. Reiterated in Part II, No. 4.</p> <p>Fully Implemented</p>



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		<p>b. Refrain from assigning the employees hired thru Job Orders to act as collecting officers and instead utilize the three designated COs to perform their jobs daily, and should likewise, consider the designation of additional collecting officers.</p>	Fully implemented
<p>2012 AAR No. 11, page 41</p>	<p>16. Deficiencies noted on how accountable forms are procured, issued and monitored specifically the licenses and certificates issued by the Flight Standards and Inspectorate Service (FSIS) and the printing of Terminal Fee Tickets.</p>	<ul style="list-style-type: none"> <li>• Order/procure the printing of Accountable Forms only from the National Printing Office (NPO) or duly authorized private printing providers in compliance to Section 2 and 4 of MC No. 180;</li>   <li>• Designate Accountable Form Custodians (AFCs) who would be accountable for the control and safekeeping of the forms. The AFCs will be in charge of maintaining a permanent record book and the preparation of the monthly RAAF as prescribed in Section 95 of GAAM, Volume I. Physical Inventory of all the accountable forms should be done to determine the accountability of those who will be designated AFCs;</li> </ul>	<p>Partially implemented The Authority wrote the NPO regarding the order/procurement of accountable forms but no response yet from NPO was received.</p> <p>Not implemented AFCs are not yet designated.</p>

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		<ul style="list-style-type: none"> <li>• Institute proper controls in the issuance of the licenses, permits and certification forms; and</li> <li>• Review the design of the various licenses and incorporate some distinct and security features to prevent possible counterfeiting.</li> </ul>	<p>Not implemented Proper controls not yet in place.</p> <p>Not implemented Security features not yet incorporated in the licenses issued.</p>
2011 AAR No. 14, page 43	17. Non-implementation of the DBM-approved CAAP Organization Structure along with the Approved Plantilla of Personnel despite the issuance of Administrative Order No. 7 dated March 3, 2011 resulted in the continuous hiring of consultants, contracts of service/job orders and casual employees.	<ul style="list-style-type: none"> <li>• Submit explanation/justification why the filling up of positions based on the Plantilla of Personnel was not fully achieved despite the issuance of AO No. 7 dated March 3, 2011;</li> <li>• Submit justification/explanation why the Authority must hire so many consultants, Contractual/JOs and casual employees despite the Authority's approved organizational structure and plantilla or personnel by DBM and the DG's granted to appoint employees of CAAP; and</li> </ul>	<p>Not implemented CSC is currently acting on the promotional appointments. Reiterated in Part II, No. 4.</p> <p>Not implemented The Authority is in the process of restructuring the DBM approved plantilla as the Management found it inadequate. Consultants / Contracts of Service Personnel were hired to complement the lack of personnel due to no qualified organic personnel fitted in the positions particularly in the Flight Service and Inspectorate Service (FSIS). Moreover, hiring of Job Orders</p>

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		<ul style="list-style-type: none"> <li>Comply strictly with the provision of COA Circular 2009-001 specifically on the submission of the required supporting documents such as contract of service agreement of consultants; Personal Data Sheet or Resume; Training certificates and documents in relation to the consultants line of expertise.</li> </ul>	<p>instead of contracting it out to agencies / private companies is more beneficial to CAAP.</p> <p>Reiterated in Part II No. 4.</p> <p>Not implemented. Reiterated in Part II No. 4.</p>
2012 AAR No. 13, page 44	18. The balances of the depository bank accounts being maintained by CAAP Head Office were included in the Cash accounts of the Area Centers (ACs).	<ul style="list-style-type: none"> <li>Decide whether to transfer the control of the bank accounts to the ACs so that they can recognize them as their assets or for the HO to retain their control and record all transactions in their books.</li> </ul>	Not implemented While the depository accounts are maintained in the Head Office, the said bank accounts are assigned to each Area Center; hence, they were included in Area Centers' Cash accounts. Further, maintenance in the Head Office facilitates the funding of the operational requirement of the

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			<p>Authority wherein the balances in the depository accounts are transferred in the Head Office account by the automatic sweeping every 15th and 30th of the month. The Management also believes that the system of pooling of account balances helps in the fiscal management.</p> <p>Reiterated in Part II, No. 14.</p>
<p>2012 AAR No. 14, page 48</p>	<p>GAD Head Office</p> <p>19. The actual expenses of several GAD projects/activities/program (PAPs) were in excess of the budgeted amount. Also, several proposed projects were not implemented in 2012.</p>	<ul style="list-style-type: none"> <li>• Strictly comply with the requirements of Joint Circular No. 2004-1, specifically, the budget for GAD activities for the year should have been reflected separately in the COB and the GAD plans and budget and the GAD accomplishment report for CY 2012 should have been signed by the proper signatories as prescribed in the Annexes of the Joint Circular;</li> <li>• Strictly disburse within the budget for the</li> </ul>	<p>Fully Implemented</p> <p>Not implemented. The Management took cognizance</p>

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	<p data-bbox="451 867 634 898">Area Center 9</p> <p data-bbox="451 936 821 1398">20. In CY 2012, CAAP Area IX failed to formulate a GAD Plan so that funds were not allocated for the implementation thereof contrary to Section 29 of the General Provisions of the CY 2012 General Appropriations Act, thereby depriving the intended beneficiaries of the benefits of the Program.</p>	<p data-bbox="889 300 1211 562">particular PAPs and henceforth plan properly to avoid the excess expenses. Also, the Authority must try their best to accomplish all the proposed PAPs for the year.</p> <ul data-bbox="846 972 1211 1398" style="list-style-type: none"> <li>• Should formulate a GAD Plan each year and strictly implement the same in compliance with the related section of the General Provisions of the General Appropriations Act. Funds equivalent to at least 5% of the total budget appropriations must be allocated for the purpose.</li> </ul>	<p data-bbox="1230 300 1485 762">with the importance of GAD Plan and Program. Excess on some actual expenses against the budget were allowed by augmenting funds of one item in MOOE from another in consonance with DBM policy.</p> <p data-bbox="1230 800 1485 863">Reiterated in Part II, No. 17.</p> <p data-bbox="1230 936 1485 1499">Fully implemented GAD Plans and Program preparations were centralized in the Head Office. However, Area Centers were involved in the activity and their budgets were included in the Head Office and later transferred to Area Centers during the implementation.</p>