

## **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 48 recommendations, 17 were fully implemented/ reconsidered, 13 were partially implemented and 18 were not implemented. The results of our validation of the implementation are shown in the table that follows.

<b>Reference</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Status of Implementation</b>
2010 AAR No. 1, page 30	1. 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>	<p>Not implemented</p> <p>Only 21 airports are insured under Airport Liability Insurance while 68 airports and the Head Office properties are insured under the Fire Industrial All Risk Insurance.</p> <p>Reiterated in Part II, No. 3.13.</p>
2010 AAR No. 2, page 33.	2. 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>• Close the account and transfer it to the LBP mother account to use it in the operations of the Authority.</li> </ul>	<p>Not implemented</p> <p>PNB account was reactivated as the depository account for collections of bid bonds.</p> <p>Reiterated in Part II, No. 3.8.</p>
2010 AAR No. 13, page 50	3. Taxes withheld from employees and contractors/suppliers remained unremitted to the BIR contrary to	<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</li> </ul>	<p>Fully implemented</p>

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	<p>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>	<p>withheld are remitted within the prescribed period to avoid penalties.</p> <ul style="list-style-type: none"> <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>Fully implemented</p>
<p>2011 AAR No. 14, page 43</p>	<p>4. 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.</p>	<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> <li>• Comply strictly with the provision of COA Circular 2009-001 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>Fully implemented</p> <p>Partially implemented</p> <p>Despite the hiring of former ATO personnel, the number is still inadequate for the efficient operation of the Authority. Restructuring of the staffing pattern is now in process.</p> <p>Partially implemented</p> <p>Some contracts of consultants were submitted without the personal data sheet/resume and training certificates and were also submitted beyond the prescribed period.</p>

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2012 AAR No. 1, page 28	5. There are vehicles used by the Authority which were not recorded in the Motor Vehicle account	<ul style="list-style-type: none"> <li>Fully establish ownership over the 16 unrecorded vehicles and recognize the same in CAAP's books of accounts.</li> </ul>	<p>Not implemented In CY 2014, unrecognized motor vehicles have increased to 27.</p> <p>Reiterated in Part II, No. 5.</p>
2012 AAR No. 2, page 29	6. 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.	<ul style="list-style-type: none"> <li>Instruct the Finance Department to 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. 3.1.</p> <p>Not implemented Reiterated in Part II, No. 3.1.</p>
2012 AAR No. 3, page 30	7. 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.	<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> <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</li> </ul>	<p>Not implemented Will await the completion of the Communication, Navigation and Surveillance/Air Management System (CNS/ATM).</p> <p>Reiterated in Part II, No.11.</p> <p>Not implemented Reiterated in Part II, No.11.</p>

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		revenue collections of the Authority.	
2012 AAR No. 4, page 31	8. Despite significant unexpected trust fund balances, the Authority has remitted to the International Civil Aviation Organization (ICAO) and all supporting documents were not yet submitted to our Office for audit.	<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</li> <li>• Submit the required supporting documents for COA to validate the disbursements made out of the Trust Fund.</li> </ul>	<p>Fully implemented</p> <p>Not implemented</p> <p>Reiterated in Part II, No. 3.3.</p>
2012 AAR No. 5, page 32	9. Unreliable balance of Advances to Officers & 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.	<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</li> </ul>	<p>Partially implemented</p> <p>Various unliquidated cash advances were deducted from their money claims.</p> <p>Reiterated in Part II, No. 3.4.</p> <p>Partially implemented</p> <p>Some employees are still being granted cash advance (CA) even if the previous CAs were not yet accounted/liquidated.</p> <p>Reiterated in Part II, No. 3.4.</p> <p>Not implemented</p>

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		deceased employees were able to leave CAAP without settling all their accountabilities.	Reiterated in Part II, No. 3.6.
2012 AAR No. 10, page 39	10. Deficiencies were noted in our conduct of Cash Examination of the cash accountabilities of 24 Petty Cash Custodians (PCCs).	<p>Ensure that:</p> <ul style="list-style-type: none"> <li>• Petty Cash Funds/Special Cash Advances shall 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>• Goods and services should be acquired thru public bidding or alternative methods of procurement as required under RA 9184;</li> <li>• 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>	<p>Not implemented</p> <p>Not implemented</p> <p>Not implemented</p>
2012 AAR No. 11, page 41	11. 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.	<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> </ul>	<p>Partially implemented</p> <p>Only four types of forms are currently procured from NPO. For other certificates/permits such as AMDC, type validation certificate, overfly, entry-exit permits in pre-printed forms are not advisable since the terms and conditions</p>

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		<ul style="list-style-type: none"> <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> <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>indicated in the certificate may vary in lengths.</p> <p>Reiterated in Part II, No. 3.11.</p> <p>Partially implemented</p> <p>Only two AFCs were designated. Monthly RAAF not yet submitted to COA.</p> <p>Reiterated in Part II, No. 3.11.</p> <p>Not implemented</p> <p>Reiterated in Part II, No. 3.11.</p> <p>Partially implemented</p> <p>On-going discussions regarding the security features not yet incorporated in the licenses issued.</p> <p>Reiterated in Part II, No. 3.11</p>
2012 AAR No. 13, page 44	12. The balances of the depositary bank accounts being maintained by CAAP	<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</li> </ul>	Fully implemented

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	Head Office were included in the Cash accounts of the Area Centers (ACs).	their assets or for the HO to retain their control and record all transactions in their books.	
2012 AAR No. 14, page 48	13. 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.	<ul style="list-style-type: none"> <li>• Strictly disburse within the budget for the particular PAPs and henceforth plan properly to avoid the excessive expenses. Also, the Authority must try their best to accomplish all the proposed PAPs for the year.</li> </ul>	<p>Not implemented</p> <p>The Management took cognizance of 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>Reiterated in Part II, No.17.</p>
2013 AAR No.5, page 40	14. The balance of the Construction In Progress (CIP) account of P461.714 million does not reflect the actual cost of on-going infrastructure projects.	<ul style="list-style-type: none"> <li>• Prepare and submit the Schedule of CIP Account (based on on-going projects not by contractors;</li> <li>• Determine the total actual disbursements (project cost) for each on-going project as of December 31, 2013;</li> <li>• Effect the necessary adjusting entries to recognize the actual project costs, for proper valuation of the CIP account; and</li> </ul>	<p>Fully implemented</p> <p>Fully implemented</p> <p>Partially implemented</p> <p>P1.615 million of unclassified disbursements remained unadjusted.</p> <p>Reiterated in Part II, No. 3. 9.</p>

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		<ul style="list-style-type: none"> <li>Recognize additions to the CIP account based on contractor's progress billing and other valid related claims only.</li> </ul>	Fully implemented
2013 AAR No.6, page 41	15. The Authority incurred additional cost of P221,180 representing the direct labor and indirect cost computed by the contractor on the furniture and equipment it provided under the contract for the improvement of ADMS Office.	<ul style="list-style-type: none"> <li>Payment for the provision of stand-alone furniture and equipment for construction project be made on a reimbursable basis upon submission of valid official receipt. Also, this provision shall be clearly stated in the provisions of the appropriate contract documents.</li> </ul>	<p>Not implemented</p> <p>We noted that Project for CY 2014 still include equipment to be supplied by the contractor.</p> <p>Reiterated in Part II, No. 3.14.</p>
2013 AAR No.7, page 42	16. Non-issuance of assessments/billing statements to Alphaland Corporation resulted in late payments and the non-recognition in the books and non-collection of earned rent for the period August 16 to December 31, 2013, amounting to P0.645 million.	<ul style="list-style-type: none"> <li>The Accounting Division to issue the monthly billing statement; and</li> <li>Review the lease agreement to ascertain the payment terms and include the penalty clause on the delayed payments;</li> <li>The Accounting Division to update the subsidiary ledger to properly monitor the collections and receivables for unpaid rental; and</li> <li>The Accounting Division to prepare the necessary adjusting entries to correct erroneous recording to Accounts Receivable and accrue the rent income earned for CY 2013.</li> </ul>	<p>Fully implemented</p> <p>Fully implemented</p> <p>Fully implemented</p> <p>Fully implemented</p>

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2013 AAR No.8, page 43	17. The Authority has not adopted and published its own schedule of fees and charges, thus, still uses the schedule of fees and charges on the Addendum dated October 5, 1998 to Department Order No. 94-762, Series of 1993 of the abolished Air Transportation Office (ATO) under the Department of Transportation and Communications (DOTC).	<ul style="list-style-type: none"> <li>• Adopt and publish the updated schedule of fees and charges that are reasonable and in accordance with Republic Act No. 9497; and</li> <li>• Circularize the new schedule of fees and charges and ensure that the change is properly communicated to all concerned parties.</li> </ul>	<p>Partially implemented</p> <p>A committee was created to study and revise the other fees and charges. Process is on-going. Reiterated in Part II, No. 3. 12.</p> <p>Partially implemented</p> <p>Management sees to it that the revisions of fees passed thru public hearings/ consultations and publications.</p> <p>Reiterated in Part II, No. 3. 12.</p>
	18. Unremitted taxes withheld of P11.229 million and P2.315 million in the Head Office and Area Center VI, respectively	<ul style="list-style-type: none"> <li>• Ensure that taxes withheld are remitted within the prescribed period and subsidiary ledgers be maintained for each type of tax withheld, to support the controlling GL account and facilitate the monitoring.</li> </ul>	Fully implemented
2013 AAR No.10, page 45	19. GSIS premiums withheld from employees amounting to P4.114 million were not immediately remitted within the first ten (10) days of the calendar month following the month when the deductions were effected.	<ul style="list-style-type: none"> <li>• To remit the withheld contributions within 10 days of the next calendar month and the Authority to establish a policy for updating the Member's Service Profile (MSP).</li> </ul>	<p>Partially implemented</p> <p>Reconciliation is on-going on prior years' balances.</p>

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2013 AAR No.11, page 46	20. Dividends payable for CY 2013 equivalent to 50 per cent of CAAP's Net Profit, not recognized in the books.	<ul style="list-style-type: none"> <li>To recognize in the books the dividends payable for CY 2013.</li> </ul>	<p>Not implemented</p> <p>Per meeting with the Board, they will not remit dividends as they need as much capital to invest on infrastructure projects.</p> <p>Reiterated in Part II, No. 3.10.</p>
2013 AAR No.13, page 48	<p>Value for Money Audit</p> <p>21. Management did not attain its objective of procuring a total of 110 infrastructure projects (capital outlay) for the calendar year 2013.</p>	<ul style="list-style-type: none"> <li>Management adopt a policy geared toward maximizing its resources to attain its objectives such as decentralization of procurement and/or project implementation.</li> </ul>	<p>Partially implemented</p> <p>Projects up to P3 million were decentralized to the Area Centers.</p> <p>Reiterated in Part II, No. 3.15.</p>
2013 AAR No.14, page 49	22. The balances of the Cash accounts of several Area Centers are doubtful.	<p>For Area Center 6:</p> <ul style="list-style-type: none"> <li>Submit copy of instruction/directive issued to the Airport Manager to transfer the amount to another bank account;</li> <li>Explain why copies of disbursement documents were not submitted within the required period to the CAAP Area Center for recording; and</li> <li>Submit to the Accounting Section of the Area Center audited Reports of Disbursements totalling P0.935 million together with certified copies of</li> </ul>	<p>Fully implemented</p> <p>Fully implemented</p> <p>Fully implemented</p>

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		<p>documents supporting withdrawals/disbursements for recording in the books in order that the balance of the Cash in Bank account could be correctly reported.</p>	
		<p>For Area Center 7:</p> <ul style="list-style-type: none"> <li>To coordinate with the bank and exert extra efforts to determine the details of the deposit amounting to P2.94 million so that it can be recognized in the books.</li> </ul> <p>For Area Center 11:</p> <ul style="list-style-type: none"> <li>Require the Area Accountant to submit explanation on the unaccounted difference and prepare reconciling/adjusting entries, if necessary, to correct the Cash in Bank-LCC account as of December 31, 2013. Also, she shall prepare the subsidiary ledgers for each bank account and regularly reconcile it with the General Ledger balance.</li> </ul>	<p>Not implemented</p> <p>The said amount is still unreconciled as of December 31, 2014.</p> <p>Not implemented</p> <p>The presented bank accounts were verified with the concerned Collecting Officers and with Land Bank. The Collecting Officers were all sure that those accounts were already closed. Thus, these bank accounts will not answer the difference noted. All bank accounts were already closed with zero balances except the account in Cotabato Airport of which bank certification is not yet received.</p> <p>No SL has been prepared also for each bank account.</p>

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2013 AAR No.15, page 50	23. Absence of budget for Overtime services incurred in Area Center 7 in the total amount of P21.46 million.	<ul style="list-style-type: none"> <li>• Request for reconsideration from CAAP Head Office for the inclusion of overtime services in the COB of the Area and adequately plan work activities and hire sufficient number of personnel to serve the needs of the Area Center; and</li> <li>• Strictly adhere to the provisions of DBM BC No. 10 dated March 29, 1996 on the rendition of overtime services.</li> </ul>	<p>Partially implemented</p> <p>Request for reconsideration was already made but Head Office has yet to decide regarding the request of CAAP Mactan to include overtime services in the COB of the Area Center.</p> <p>Fully implemented</p>