

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of 98 prior year's audit recommendations, 25 were fully implemented, 37 were partially implemented and 36 were not implemented by management, as shown below:

Reference	Observations	Recommendations	Status of Implementation
2019			
Observation No. 1 page 54	The balance of Accounts Receivable account amounting to P4.770 billion is unreliable due to a) existence of past due accounts of P1.662 billion ranging from more than 1 year to 19 years; b) variance amounting to P1.293 billion between the balance per General Ledger (GL) and Subsidiary Ledger (SL); c) erroneous recording of advance payments amounting to P169.414 million; and d) variance between the accounting records and confirmation replies from 124 selected debtors amounting to P304.102 million.	Management to instruct the Chief Accountant to: a. Issue demand letters to debtors with past due accounts; b. Request for write-off of dormant balances in the Accounts Receivable account; c. Conduct an in-depth examination of the variances between the GL and the SL and prepare the necessary adjusting entries, if warranted;	Partially implemented Demand letters were issued to several debtors with past due accounts. Enforcement of collection and conduct of other appropriate legal remedies were recommended in Observation Nos. 2 and 17 of this report. Partially implemented No request for write-off has been made yet due to lack of documents to support the request. Full provision for impairment of dormant accounts of Air Transportation Office (ATO) and Philippine Airlines (PAL) was made instead. Partially implemented Accounting Division conducts periodic reconciliation but due to voluminous transactions and other factors causing delay in updating of the SL, substantial amount of

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		<p>d. Analyze the abnormal/ negative balances in the account and prepare the necessary journal entry to correct the misstatement; and</p> <p>e. Coordinate with the debtors and reconcile the variances between accounting records and confirmation replies.</p>	<p>variance in the books still exist.</p> <p>Reiterated in Observation No. 2 of this report.</p> <p>Fully implemented</p> <p>Partially implemented</p> <p>Reiterated in Observation No. 2 of this report.</p>
<p>Observation No. 2 page 60</p>	<p>The balances of the Property and Equipment (PE) accounts with a total amount of P79.513 billion as of December 31, 2019 are unreliable due to the a) unreconciled variance of P33.752 billion between the accounting and inventory records; b) non-maintenance of Property, Plant and Equipment Ledger Cards (PPELC) and Property Cards (PC); c) non-recording of transferred/donated properties; and d) non-derecognition of unserviceable properties with a total cost of P99.897 million.</p>	<p>Management to instruct the:</p> <p>a. The Supply Officer and the Chief Accountant to reconcile the variance between the accounting and inventory records;</p> <p>b. The Accounting Division in CAAP-HO and Area Centers (ACs) IV, V, VI, VII and IX to maintain the PPELC which should be reconciled with the PC maintained by the Supply Division, both prepared in prescribed form;</p>	<p>Partially implemented</p> <p>Reiterated in Observation No. 1 of this report.</p> <p>Partially implemented</p> <p>Reiterated in Observation No. 1 of this report.</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>c. The Supply Officer of ACs VII and XII to make representation with Department of Transportation (DOTr) and CAAP-HO to secure the necessary documents related to the unrecorded transfer/donation of properties and the Accounting Division of ACs II, VII and XII to draw the necessary adjusting entries to record the assets in the books of accounts; and</p> <p>d. The Supply Officer of CAAP-HO, AC III and XII to report all the unserviceable properties in the Inventory and Inspection Report of Unserviceable Property (IIRUP) to prepare such properties for the disposal. Likewise, direct the Accounting Division to draw the necessary adjusting entries to derecognize the unserviceable properties from the books of accounts.</p>	<p>Partially implemented</p> <p>Reiterated in Observation No. 1 of this report.</p> <p>Partially implemented</p> <p>Reiterated in Observation No. 1 of this report.</p>
<p>Observation No. 3 page 64</p>	<p>The balance of Construction in Progress (CIP) account amounting to P1.365 billion for the year ended December 31, 2019 included completed projects and</p>	<p>a. Prepare the necessary adjusting entries for the reclassification of the completed projects from CIP-Infrastructure Assets</p>	<p>Partially implemented</p> <p>Reiterated in Observation No. 3 of this report.</p>

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	<p>unsubstantiated transaction in the total amount of P661.473 million and P7.679 million, respectively, resulting in the understatement of Depreciation Expense by P44.506 million and overstatement of Retained Earnings by P138.654 million.</p>	<p>and Buildings and Other Structures accounts to appropriate Property and Equipment (PE) and Due from Regional Offices accounts;</p> <p>b. Recognize and record the necessary adjusting entries to correct the Depreciation Expense, Accumulated Depreciation and Retained Earnings accounts;</p> <p>c. Timely review the processing of Acceptance Report for the completed projects; and</p> <p>d. Obtain the necessary documents to support the transaction.</p>	<p>Not implemented</p> <p>Reiterated in Observation No. 3 of this report.</p> <p>Not implemented</p> <p>Reiterated in Observation No. 3 of this report.</p> <p>Partially implemented</p> <p>Reiterated in Observation No. 3 of this report.</p>
<p>Observation No. 4 page 66</p>	<p>The practice of recording requests for inspection for the issuance of aircraft/airmen certificates as income prior to the satisfaction of performance obligations of the Authority is not in accordance with Philippine Financial Reporting Standard (PFRS) 15 on Revenue from Contracts with Customers resulting in the overstatement of both the Other Receivables account as well as the</p>	<p>a. Strictly abide by the guidelines set under PFRS 15 when recognizing income from issuance of aircraft/airmen certificates;</p> <p>b. Coordinate with the CAAP-Flight Standards Inspectorate Service (FSIS) to create a formal and documented process on the recording of</p>	<p>Partially implemented</p> <p>The practice of immediate recording of request for inspection as receivable and income has already stopped.</p> <p>Partially implemented</p> <p>No documented process yet was created. Accounting Division currently seeks the assistance of FSIS and other</p>

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	Miscellaneous Income account by P42.424 million.	<p>income arising from requests for inspection/certification from airmen/airline. This is to ensure that necessary documents at the time of fulfilment of the performance obligation of CAAP are duly and timely submitted to the Accounting Division for recording purposes. The Internal Audit Service shall review the process to ensure that controls are in place and that it is compliant with existing regulations;</p> <p>c. Record cash received from operators as Other Unearned Revenue/Income until such time CAAP fulfills its performance obligation, which is to conduct the necessary inspection; and</p> <p>d. Reconcile records to determine the exact amount of overstatement in the Miscellaneous Income and Other Receivables accounts and prepare the necessary adjusting entry to</p>	<p>originating offices with respect to the monitoring of fulfilment of performance obligations and/or cancellation of requests.</p> <p>Not implemented</p> <p>Due to difficulties encountered in monitoring the fulfillment of performance obligation of all requests for inspection, the Accounting Division record receipt of cash directly as income.</p> <p>Partially implemented</p> <p>Accounting Division had identified unpaid DSA billings from prior years' issuances (CY 2018) totaling to P8.638 million which will be subject to cancellation and</p>

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		retrospectively effect PFRS 15 on the outstanding balance recorded under the Other Receivables account.	adjustment in the books. Recommendation to fast track the on-going reconciliation was reiterated in Observation No. 7 of this report.
Observation No. 5 page 68	The Other Receivables account amounting to P81.743 million as of December 31, 2019 is overstated due to the non-recognition of Allowance for Impairment as required under Philippine Financial Reporting Standard (PFRS) 9 on Financial Instruments and absence of supporting documents	Direct the Chief Accountant to formulate and implement a policy on the provision of allowance for impairment for Other Receivables account; and reconcile and maintain the necessary subsidiary ledgers (SLs) to ensure that the account is fairly presented in the financial statements.	Partially implemented Full provision for impairment of unliquidated cash advances of retired, resigned, separated, and deceased employees were already made. Recommendation to maintain the necessary SLs of unaccounted balances was reiterated in Observation No. 7 of this report.
Observation No. 6 page 69	The recorded balances of the Property and Equipment (PE) accounts, Depreciation Expense, and Accumulated Depreciation Expense accounts of CAAP-Head Office (HO) and Area Center (AC) III are doubtful due to a) misclassification of accounts; and b) non-recognition/errors in computation of depreciation which are not in accordance with COA Circular No. 2020-002 and Philippine Accounting Standard (PAS) 38.	a. Identify the nature of the items purchased, check if the P15,000 capitalization threshold is met, and properly classify the same in their appropriate asset accounts; b. Derecognize the cost and accumulated depreciation of the parts replaced under the Office Equipment account;	Not implemented Reiterated in Observation No. 1 of this report. Not implemented Reiterated in Observation No. 1 of this report.

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		<p>c. Provide the useful life of the Computer Software;</p> <p>d. Require the AC III Accountant to provide the depreciation expense of the property and equipment for the period January to December 2019; and</p> <p>e. Draw the necessary adjusting entries to correct the balances of the asset accounts and its related depreciation expense, amortization – intangible assets, accumulated depreciation and accumulated amortization, if any.</p> <p>f. Likewise, we recommended that Management instruct the Officer-in-Charge (OIC), Supply Division to record in the Property Acknowledgement Report (PAR) the cost of property and equipment issued net of input Value Added Tax (VAT)</p>	<p>Not implemented</p> <p>Reiterated in Observation No. 1 of this report.</p> <p>Fully implemented</p> <p>Not implemented</p> <p>Reiterated in Observation No. 1 of this report.</p> <p>Fully implemented</p>
Observation No. 7 page 76	The validity of various accruals totaling P13.807 million recorded under	Management to instruct the Chief Accountant to immediately submit the	Fully implemented

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	Accounts Payable account could not be ascertained due to non-submission of complete and valid supporting documents to substantiate the claims.	necessary documents to support the recognition of liabilities of and claims against the Authority, otherwise, prepare the necessary Journal Entry Voucher (JEV) to correct the misstatement by debiting Accounts Payable and crediting the Retained Earnings or the appropriate Asset account.	
Observation No. 8 page 77	Long outstanding payables amounting to P6.452 million as at December 31, 2019 remained recorded under Accounts Payable and were not reverted to Miscellaneous Income, contrary to the Conceptual Framework in Recognition of Liabilities and Section 98, Presidential Decree (P.D.) No. 1445; and Accounts Payable was erroneously credited with the purchase of motor vehicle of P6.600 million	Management to instruct the Chief Accountant to prepare the necessary adjusting entry to revert the Accounts Payable which have remained outstanding for more than two years to Retained Earnings and to correct the erroneous recording of the motor vehicle.	Fully implemented
Observation No. 9 page 78	The accuracy and completeness of the recorded balance of Accounts Payable is doubtful due to discrepancies between the General Ledger (GL) balance as compared with Subsidiary Ledger (SL) balances as of December 31, 2019 amounting to P492,871.	Management to instruct the Chief Accountant to verify the difference noted, reconcile the same and make the necessary adjusting entry in order to provide a reliable and accurate financial records.	Fully implemented

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Observation No. 10 page 79	Inconsistent application of tax base in computing Output Tax for financial reporting purposes resulted in understatement of Output Tax and overstatement of revenues in the financial statements of AC VI amounting to P27.505 million, contrary to Paragraph 15 of Philippine Accounting Standard (PAS) 1 on fair presentation of financial statements.	Management to instruct the Accountant to rectify the error, make the necessary adjustments/disclosures and ensure compliance to Par. 15 of PAS 1 to fairly present the affected accounts in the financial statements	Fully implemented
Observation No. 11 page 80	The existence and accuracy of the Other Supplies and Materials Inventory (OSMI) account with a balance of P63.994 million as of December 31, 2019, is unreliable due to (a) non-existing inventories, (b) unrecorded inventory issuances, and (c) misclassification of inventory accounts.	<p>a. Direct the Chief Accountant and the Chief, Supply Division to conduct a thorough analysis and reconciliation of accounting and property records; and</p> <p>b. Direct the Chief Accountant to prepare the necessary adjusting entries to record unrecognized issuances and to correct the misclassification noted in the account.</p>	<p>Partially implemented</p> <p>Reconciliation of supplies and materials inventory accounts is still ongoing.</p> <p>Reiterated in Observation No. 4 of this report.</p> <p>Partially implemented</p> <p>Reclassification totaling to P8.798 million was made as of Dec. 31, 2020. However, issuances of P5.831 million inventories to end-users were still recorded under the OSMI account.</p> <p>Recommendation to prepare adjustments was reiterated in Observation No. 4 of this report.</p>

Reference	Observations	Recommendations	Status of Implementation
<p>Observation No. 12 page 83</p>	<p>The reliability, existence and completeness of the Fuel, Oil and Lubricants Inventory (FOLI) account with a balance of P22.134 million as of December 31, 2019 is doubtful due to (a) non-reconciliation between accounting and property records, (b) the erroneous/non-recording of issuance and deliveries, and (c) the lack or absence of a sound internal control system in the monitoring of inventory.</p>	<p>a. Direct the Accounting Division and Supply Division, together with the Air Navigation Service (ANS), to conduct a thorough validation and reconciliation of the property and accounting records and to determine the true balance of the account. The Chief Accountant shall prepare the necessary adjusting entries to correct any variance noted during reconciliation and to correct the erroneous recording of prepayments and the non-recognition of deliveries and utilization of fuel;</p> <p>b. Direct the Supply Division, through an Inventory Committee, to regularly conduct physical count of FOLI and prepare the required Report on Physical Count of Inventories (RPCI) every semester. The report shall be reconciled and submitted to the Accounting Division who, along with the Supply Division, shall conduct the reconciliation of accounting and property records and prepare the necessary adjusting</p>	<p>Partially implemented</p> <p>Meeting was conducted on March 12, 2020 to clarify matters about fuel, oil and lubricants inventory account.</p> <p>Accounting Office Order No. 12-01-01 was issued instructing an Accounting personnel to conduct the reconciliation.</p> <p>Reiterated in Observation No. 5 of this report.</p> <p>Partially implemented</p> <p>The RPCI submitted by the Supply Division consists of diesel fuel only as of year-end and does not include lube oils on hand.</p> <p>Submission of RPCI was reiterated in Observation No. 5 of this report.</p>

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		<p>entries to correct any discrepancies;</p> <p>c. Require the Accounting Division and Supply Division to maintain the necessary Supply Ledger Cards (SLCs) and Stock Cards (SCs); and</p> <p>d. Instruct the Supply Division to prepare and implement a documented process on the Inventory Management of FOLI. The requisition, receipt, monitoring and reporting of fuel inventory shall be handled by the Supply Division. Further, the process shall include the necessary checks and balances to ensure inventories are monitored and are properly safeguarded against loss, wastage and/or misappropriation.</p>	<p>Not implemented</p> <p>Reiterated in Observation No. 4 of this report.</p> <p>Not implemented</p> <p>Reiterated in Observation No. 5 of this report.</p>
<p>Observation No. 13 page 88</p>	<p>The reasonableness and propriety of transactions involving the procurement of fuel, oil and lubricant used in the operation of generators/power plants of the Authority cannot be ascertained due to the absence of a written contract with Petron Corporation.</p>	<p>Management to communicate with Petron Corporation and execute a contract to formally document the agreement between both parties as to the purchase of fuel, oil and lubricants by the Authority. The Management shall ensure the propriety of the contract and that it</p>	<p>Partially implemented</p> <p>Drafts for the Memorandum of Agreement (MOA) are currently under review by the Enforcement and Legal Services (ELS) Division.</p>

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		abides with existing laws, rules and regulations and the terms are not disadvantageous to the Government.	
Observation No. 14 page 89	The unbilled flights for air navigational charges amounting to P2.728 million and under billings of P435,398 from various airline carriers resulted in the understatement of the Accounts Receivable and Income from Communication Facilities accounts for CY 2019 by P3.164 million.	Management to instruct the Chief Accountant to send out billing statements to concerned airlines corresponding to the unbilled/under-billed flights for air navigational charges and subsequently record the related receivable and income.	Not implemented Reiterated in Observation No. 2 of this Report.
Observation No. 15 page 91	The accuracy and reliability of the Accountable Forms, Plates and Stickers Inventory account with a balance of P145,160 could not be ascertained due to a) non-reconciliation between the accounting and property records; b) erroneous costing of inventory issuances and c) unrecorded inventories. Moreover, poor procurement planning resulted in the unnecessary purchase of accountable forms amounting to P1 million.	<p>1. The Chief Accountant:</p> <p>a. To prepare the necessary adjusting entries to reflect the correct balance of the affected accounts, including the recognition of Allowance for impairment for obsolete inventories; and</p> <p>b. To prepare and maintain Supply Ledger Cards (SLCs) to facilitate the monitoring of inventories and to coordinate with the Supply Division to regularly conduct</p>	<p>Partially implemented</p> <p>Accounting Office Order No. 12-01-01 was issued instructing an Accounting personnel to conduct the reconciliation.</p> <p>Not implemented</p> <p>Reiterated in Observation No. 4 of this report.</p>

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		<p>reconciliation of records and make necessary adjustments in the books of accounts, thereafter.</p> <p>2. The Supply Officer to submit to this Office all obsolete accountable forms, along with an inventory listing down all the obsolete forms for disposal, in accordance with Section 99 of Government Accounting and Auditing Manual (GAAM) Volume 1.</p> <p>3. Both the Chief Accountant and the Chief, Supply Division to submit an explanation on the basis for the procurement of the accountable forms and as to why the transaction should not be disallowed in audit.</p>	<p>Not implemented</p> <p>Reiterated in Observation No. 4 of this report.</p> <p>Fully implemented</p>
<p>Observation No. 16 page 94</p>	<p>Area Center (AC) IV Management failed to bill the monthly fee, exclusive of utilities amounting to P0.523 million as of December 31, 2019 to two concessionaires who did not operate as of year-end at Puerto Princesa International Airport despite the existence of duly approved contracts</p>	<p>Acting Area Manager to require the Concession In-Charge personnel to bill and collect the total rental fee due as of December 31, 2019 from Rice 'N' More Kiosk Inc. and Regent Distributor Philippines Inc. Henceforth, bill the said concessionaires for the remaining duration of the lease contract unless</p>	<p>Fully implemented</p>

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	of lease contrary to the express stipulations in the contracts, thereby depriving the Authority of additional income that could have been used in its operation.	terminated by the Authority.	
Observation No. 17 Page 97	The balance of the Due from National Government Agencies (NGAs) account as compared with the statement of account from the Procurement Service of the Department of Budget and Management (PS-DBM) showed a variance amounting to P11.548 million due to: a) unrecorded delivery of a motor vehicle; b) erroneous recordings in the books; and c) the absence of regular and periodic monitoring of the account thereby casting doubt on the reliability and accuracy of the balance of the account.	<p>a. Direct the Supply Officer to follow-up with the PS-DBM for the submission of the necessary delivery receipt and for the Chief Accountant to make the necessary adjusting entry to record the receipt of the motor vehicles along with the related accumulated depreciation;</p> <p>b. Coordinate with the PS-DBM to reconcile the variance amounting to P11.548 million, and make the necessary adjusting entry, if warranted; and</p> <p>c. Establish a clear and documented process on the regular and periodic verification, analysis, and validation of fund transfers.</p>	<p>Fully implemented</p> <p>Partially implemented</p> <p>Reiterated in Observation No. 12 of this report.</p> <p>Not implemented</p> <p>Reiterated in Observation No. 12 of this report.</p>
Observation No. 18 page 100	The non-maintenance of subsidiary ledgers and the lack of monitoring and periodic reconciliation of audit disallowances, suspensions and charges cast doubt on the accuracy and reliability of the balance of the	a. Instruct the Chief Accountant to maintain and update subsidiary ledgers/records for each official/employee determined to be liable/responsible for	<p>Not implemented</p> <p>No SLs maintained as of this date.</p>

Reference	Observations	Recommendations	Status of Implementation
	Receivables-Disallowances/Charges account.	<p>the amount disallowed/charged/suspended as provided under COA Circular No. 2009-006;</p> <p>b. Keep track and monitor all audit disallowances, suspensions and charges, both final and executory, or under appeal, and reconcile the same with the Statement of Audit Suspensions, Disallowances and Charges (SASDC); and</p> <p>c. Require the Internal Audit Service to review and appraise CAAP's existing controls and procedures/processes relative to the creation of subsidiary ledgers, monitoring and periodic reconciliation of audit disallowances, suspensions and charges and provide necessary advice for the improvement of its systems.</p>	<p>Not implemented</p> <p>Reiterated in Observation No. 23 of this report.</p> <p>Not implemented</p> <p>Recommendation to initiate and exhaust all legal means to collect/recover the disallowances and charges was reiterated in Observation No. 23 of this report.</p>
Observation No. 19 page 102	The existence of dormant/long-outstanding receivable accounts amounting to P27.901 million and the non-provision for allowance for impairment were not in accordance	a. Exhaust all means to locate pertinent records relevant to these receivables and coordinate with the concerned agencies/Local Government Units	<p>Not Implemented</p> <p>Reiterated in Observation No. 13 of this report.</p>

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	with Paragraph 15 of Philippine Accounting Standards (PAS) 1 and Paragraph 5.2 of Philippine Financial Reporting Standard (PFRS) 9, which cast doubt on the reliability, accuracy and existence of these balances.	(LGUs) to pursue the liquidation or refund of these fund transfers; and b. Formulate and implement a policy on the provision of allowance for impairment for Other Receivables account to ensure that the account is fairly presented in the financial statements.	Not implemented Reiterated in Observation No. 13 of this report.
Observation No. 20 page 103	Cash advances granted to Special Disbursing Officers (SDOs) as well as to officers and employees for official travel amounting to P0.680 million and P2.897 million, respectively, remained unliquidated as of December 31, 2019 resulting in the understatement of expenses and overstatement of assets and Retained Earnings account and casts doubt on whether the purpose of the cash advances has been served.	a. Send final written reminders/demand letters duly signed by the agency head, to erring accountable officers to immediately liquidate their outstanding cash advances by submitting valid and complete liquidation reports pursuant to Section 89 of Presidential Decree (P.D.) No. 1445; b. Delete the names of erring accountable officers who will fail to liquidate their cash advances despite the issuance of a written reminder/demand letter from subsequent payrolls until such time as their respective cash advances are fully liquidated. The Chief Accountant shall	Partially implemented CAAP issued a Memorandum dated March 2, 2021 directing all accountable officers to liquidate their outstanding travel cash advances (CAs) and informing them that past due CAs shall be deducted thru their respective salaries beginning April 2021. Partially Implemented No additional cash advances were granted to officers and employees with outstanding cash advances except for the Office of the Government Corporate Counsel (OGCC) Lawyers and SDOs.

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		<p>initiate the filing of administrative cases, as warranted, in accordance with the aforementioned CSC Memorandum Circular No. 23 s. 2019;</p> <p>c. Direct the Chief Accountant and the concerned officials to strictly abide by the COA Circular No. 97-002 and refrain from processing and approving additional cash advances to accountable officers with unliquidated cash advances; and</p> <p>d. Direct the Administrative and Finance Service to revise the existing process to include/consider a formal and documented process on the grant and liquidation of cash advances in consonance with existing laws, rules and regulations.</p>	<p>Not implemented</p> <p>Reiterated in Observation No. 22 of this report.</p> <p>Not implemented</p> <p>Reiterated in Observation No. 22 of this report.</p>
<p>Observation No. 21 page 108</p>	<p>Discrepancies between the GL balance as compared with the SL balance of the Advances to SDO and Advances to Officers and Employees accounts of CAAP – HO amounting to P0.645 million and P1.985 million, respectively, cast doubt on the accuracy</p>	<p>Management to instruct the Chief Accountant to verify the difference noted, reconcile the same and make the necessary adjusting entry in order to provide reliable and accurate financial records.</p>	<p>Partially implemented</p> <p>Discrepancies noted in Advances to SDOs account were enumerated in Observation No. 10 of this report. Accounting Division immediately prepared the corresponding</p>

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	and reliability of the account balances.		adjustments in the books thereafter. Reconciliation of discrepancies found in the Advances to Officers and Employees account is still ongoing.
Observation No. 22 page 109	The amount of P1.752 million remained unremitted as of December 31, 2019 to the Bureau of the Treasury (BTr), thus, depriving the Office of the Transportation Security of the much needed funds for the Anti-Hijacking and Anti-Terrorism activities.	Management to direct the Chief Accountant to immediately remit the amount of P1.752 million to the Bureau of the Treasury (BTr).	Not implemented Reiterated in Observation No. 15 of this report.
Observation No. 23 page 110	The undocumented/unsupported transactions of the then Air Transportation Accounts (ATO) amounting to P59.140 million have been long outstanding casting doubt on whether the specific purposes of the fund transfers were attained.	Management to direct the Chief Accountant to coordinate with the Department of Transportation (DOTr) Accounting Division to identify the details of the funds transferred (purpose and name of project) and seek the assistance of the Aerodrome Development and Management Service (ADMS) to determine the existence/status of the projects. Thereafter, prepare the necessary adjusting entries.	Not Implemented Reiterated in Observation No. 11 of this report.
Observation No. 24 page 111	CAAP Area Center (AC) II Management was not able to collect outstanding receivables for more than one year amounting to P1.281	a. Send demand letters to the concessionaires/lesses with outstanding balances;	Partially implemented AC II submitted Statement of Accounts (SOA) to CAAP-HO for consolidation of

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	<p>million from the concessionaires/lessees. Moreover, the agency also failed to implement the collection policy on concession privilege fees as indicated in Section 3 Part IX and Sections 2 & 3 of Part XIII of Department Order (D.O.) 98-1178 re: Revised Schedule of Fees and Charges Alternate International Airports and National Airports.</p>	<p>b. Exhaust all possible means to collect the receivables from the concessionaires/lesses; and</p> <p>c. Strictly implement the provision of D.O. 98-1178.</p>	<p>outstanding balances necessary for the issuance of demand letters.</p> <p>Partially implemented</p> <p>Deed of Undertaking was executed by some of the clients who responded on the demand letters issued by the CAAP-HO.</p> <p>Partially implemented</p> <p>Enforcement on collection of outstanding receivables was reiterated in Observation No. 17 of this report.</p>
<p>Observation No. 25 page 113</p>	<p>Absence of approved Contract of Lease of concessionaires resulted in uncollected income for CY 2019 in the amount of P2.4 million.</p>	<p>a. Make a follow-up in securing copies of the Lease Contract Agreement from the CAAP-HO to be used as basis in enforcing the collection of receivables from concessionaires; and</p> <p>b. If the documents are obtained, cause the immediate issuance of billing statements to concessionaires for the 12-month outstanding lease payments and require them to settle their accounts within reasonable time.</p>	<p>Partially implemented</p> <p>Business Development Division (BDD) of CAAP-HO constantly requests for submission of lacking requirements from AeroMart Commercial & Industrial Corporation (ACIC) and Concessionaires.</p> <p>Partially implemented</p> <p>BDD instructed ACIC to issue Demand Letters to Concessionaires based on Actual Occupancy pending the contracts.</p>

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<p>Observation No. 26 page 115</p>	<p>The accuracy of the balance of the Guaranty/Security Deposits Payable account amounting to P2.097 million as of year-end could not be ascertained due to the failure of the AC V Accounting Section to provide the schedule/updated subsidiary records of lessees, thus, rendering the reported liabilities or payables of the agency as of December 31, 2019, unreliable.</p>	<p>a. Require the Accounting Unit to ascertain the total security deposits/advance rentals collected out of the reported balance of the account Guaranty/Security Deposits Payable as of December 31, 2019 and to make appropriate adjustment to the account. Any uncollected security deposits/advance rentals as of December 31, 2019 should be reversed;</p> <p>b. Record the security deposits/advance rentals only upon receipt of payment; and</p> <p>c. Determine the security deposits due for refund to lessees whose lease contracts have been terminated, and offset to any unpaid rental of the concerned lessee, if any, and refund security deposit to previous lessees with no obligations to the agency.</p>	<p>Fully implemented</p> <p>Fully implemented</p> <p>Fully implemented</p>
<p>Observation No. 27 page 118</p>	<p>The AC V Management did not impose the two per cent compounded monthly interests on delinquent accounts of Lessees, as provided in</p>	<p>a. Revisit the provisions for the due dates for payment of rentals and amend or restate to a clearer</p>	<p>Fully implemented</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>Item 3.12 of the Contract of Lease. Likewise, provisions for due date of payment of rentals seem to be conflicting, if not ambiguous, and may cause confusion in the interpretation of the due dates.</p>	<p>provision to avoid multiple interpretations;</p> <p>b. Strictly impose interest for the delinquent accounts; and</p> <p>c. Monitor regularly the collection of rental fees and issue timely demand letters to prevent accumulation of delinquent accounts.</p>	<p>Not implemented</p> <p>Reiterated in Observation No. 17 of this report.</p> <p>Partially implemented</p> <p>Several demand letters were issued by CAAP-HO thru Enforcement and Legal Services (ELS) Division.</p> <p>Enforcement on collection of outstanding receivables was reiterated in Observation Nos. 2 & 17 of this report.</p>
<p>Observation No. 28 page 120</p>	<p>The Cash in Bank, Local Currency Current Account maintained at the Philippine Veteran's Bank and Land Bank of the Philippines amounting to P1.185 million by AC VI Management had been idle for more than five years thus depriving the government of the economic benefits that could have been derived from its use had the same been plowed back to finance other priority development projects.</p>	<p>a. The AC VI cause the reversion of the idle cash thru the CAAP-HO.</p> <p>b. The Accountant disclose fully in the Notes to Financial Statements the Cash in Bank accounts that remained idle for years pursuant to Paragraph 50 of Philippine</p>	<p>Partially implemented</p> <p>Personnel in-charge visited the bank to update the status of the account and had requested a bank statement. However, due to Enhanced Community Quarantine (ECQ) restrictions, updating of the account was put on hold.</p> <p>Fully implemented</p>

Reference	Observations	Recommendations	Status of Implementation
		Accounting Standards (PAS) 7 which requires disclosure of additional information that may be relevant to users in understanding the financial position and liquidity of an entity.	
Observation No. 29 page 121	The Advances to Contractors account balance of P27.992 million includes dormant/outstanding advances totaling P1.767 million which remained unrecouped as of December 31, 2019 resulting in the loss of government funds.	Management to instruct the Chief Accountant to send demand letters to the contractors to recover the unrecouped advances and immediately coordinate with the Enforcement and Legal Office to file appropriate charges, if warranted.	Not Implemented Reiterated in Observation No. 8 of this report.
Observation No. 30 page 123	The amount of P6.927 million representing the excess fund transferred to the Procurement Service of the Department of Budget and Management (PS-DBM) was not requested for refund thereby depriving the Authority of additional funds it can use for its operational activities/projects.	Management to direct the Chief of Finance Department to make representation with the PS-DBM and request for the refund.	Not implemented Reiterated in Observation No. 12 of this report.
Observation No. 31 page 123	The non-settlement and non-enforcement of audit disallowances and charges with corresponding Notices of Finality of Decisions (NFD) and COA Orders of Execution (COE) as provided in COA Circular No. 2009-006 dated September 15, 2009 deprived the Authority of	a. Submit an explanation as to why the disallowances and charges with NFDs and COEs have remained outstanding as of December 31, 2019; and	Not implemented Reiterated in Observation No. 23 of this report.

Reference	Observations	Recommendations	Status of Implementation
	additional funds it can use for its operations/projects.	b. Strictly adhere to the provisions of COA Circular No. 2009-006 thru prompt enforcement of COEs.	Not implemented Reiterated in Observation No. 23 of this report.
Observation No. 32 page 125	The amount of cash advances granted to Special Disbursing Officers (SDOs) were excessive which exposes CAAP funds to possible loss or misappropriation.	Management to direct the officials authorized to approve cash advances to carefully review program of works to ensure that the estimates are reasonable and not excessive.	Not implemented Reiterated in Observation No. 22 of this report.
Observation No. 33 page 125	The interest charges for the late remittances of Domestic Passenger Service Charge (DPSC) by various Air Carriers amounting to P27.916 million remained uncollected as of December 31, 2019 depriving the government of the economic benefits that could have been derived from its use for its operations.	Management to instruct the revenue section to send out Statement of Accounts (SOAs) and collect from concerned airline carriers the amount of P20.095 million, and to bill and record the amount of P2.579 million.	Fully implemented
Observation No. 34 page 127	The delay in the updating of its Certificate of Registration with the BIR and in the procurement of Value Added Tax (VAT)-registered Official Receipts (ORs) resulted in the payment of VAT amounting to P775.949 million for CY 2018 and for the first to third quarter of 2019 by the Authority based on its revenue although no VAT was imposed on the collected fees and charges.	Management to provide a legal basis and/or justifiable reason for the payment of VAT for 2018 until 3rd quarter of 2019 totaling P775.949 million despite its not being able to add the 12 per cent VAT to the fees and charges collected during the said period.	Fully implemented

Reference	Observations	Recommendations	Status of Implementation
Observation No. 35 page 128	The payments of VAT totaling P829.861 million were not supported with complete documentation and did not bear the approval of proper officials which is not in consonance with Section 4, Presidential Decree (P.D.) No. 1445, casting doubt on the propriety and regularity of the transactions.	Management to show evidence that the transactions were duly authorized, otherwise, they will be considered unauthorized/irregular disbursements. Henceforth, exercise due diligence in ensuring that all disbursements are duly supported with the required supporting documents and bears the approval of the proper officials.	Fully implemented
Observation No. 36 page 129	The non-compliance to Sections 2, 10 and 48 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184 on the hiring of 46 consultants as of December 31, 2019 did not ensure that the contracts entered into by the Authority are the most advantageous for the government. Moreover, the recording of the cost of services rendered by consultants and Contract of Service (COS) personnel is not in accordance with COA Circular No. 2020-002, thereby casting doubt on the reliability and accuracy of the financial statements.	<ul style="list-style-type: none"> a. Strictly adhere to the provisions of RA No. 9184 and other pertinent rules and regulations in the procurement of consulting services; b. Conduct a thorough review and evaluation of all existing consultancy contracts to determine whether there is a need to continue hiring these consultants; c. Create a formal hiring process and/or written guidelines in the hiring of consultants and direct the Internal Audit Service to review the process/guidelines to ensure the newly established process is in accordance with the provisions of RA No. 9184 and its RIRR; 	<p>Fully implemented</p> <p>Fully implemented</p> <p>Not implemented</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>d. Instruct the chief accountant to conduct reconciliation of the accounting records with the official records from the Human Resource Management Division (HRMD) for the misclassified transactions; and</p> <p>e. Adhere to the provisions of COA Circular No. 2020-002 by properly recording the transactions to the specific accounts based on its nature.</p>	<p>Not implemented</p> <p>No entry was made during the year to reconcile the misclassified accounts since Management maintained its position that the remuneration for the consultants were correctly recorded under Other Professional Service account since they are hired as Job Order (JO) /Contract of Service (COS) personnel. However, pertinent documents to support the claims are yet to be submitted to the audit team.</p> <p>Not implemented</p>
<p>Observation No. 37 page 137</p>	<p>CAAP-Head Office, Area Centers (ACs) I, V, VI, IX and XII did not comply with certain provisions of the Revised Implementing Rules and Regulations (RIRR) of RA No. 9184, thereby defeating the purpose of transparency, competitiveness and other control measures in the procurement of infrastructure, goods and services.</p>	<p>a. Strictly comply with the guidelines set under RIRR of RA No. 9184; and</p> <p>b. Direct the Accounting Division, in coordination with Aerodrome</p>	<p>Partially implemented</p> <p>Purchases of common-used supplies in AC XII were not made thru the PS-DBM and were still made through Small Value Procurement (SVP) instead of Shopping.</p> <p>Partially implemented</p> <p>Demand letters were already sent to the</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>Development and Management Service (ADMS), to re-compute the liquidated damages (LD) that should have been imposed to the contractors who failed to complete the delivery of goods and infrastructure projects within the specified completion period and deduct the same from any money due to such contractors or oblige them to pay in case their claim is less than the amount of LD.</p>	<p>contractor in AC V while the AC XII Accountant has been instructed to compute the liquidated damages and collect/deduct the same for any money due to respective suppliers/ contractors.</p>
<p>Observation No. 38 page 145</p>	<p>Fifty-seven (57) Contracts of Lease for Concessionaires of CAAP AC II were not signed by the Director General and were not duly notarized, thus, the contracts were not valid and binding; thereby, exposing the agency to the risk of not being indemnified of damages in case of breach by the contracting parties contrary to Section 2 of Presidential Decree (P.D.) No. 1445 otherwise known as the Government Auditing Code of the Philippines.</p>	<p>Director General of CAAP to review and approve all Contracts of Lease with the Concessionaires of AC II and have them notarized within reasonable time.</p>	<p>Partially implemented</p> <p>Two (2) approved contracts were already returned by the CAAP-HO to AC II.</p>
<p>Observation No. 39 page 147</p>	<p>CAAP AC VIII paid a total of P20.468 million for security services for CY 2019 for an extended contract which was</p>	<p>AC VIII Management to follow-up with CAAP-HO all the bid documents/supporting documents/justifications</p>	<p>Fully implemented</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>already beyond the allowable contract extension of one (1) year contrary to Section 10, Rule IV of the Revised IIR of RA No. 9184 and Government Policy Board (GPPB) Resolution No. 23-007 dated September 28, 2007, thus casting doubt on the propriety and the legality of the transactions pertaining to security services.</p>	<p>for the payment of Security Services for Calendar Years 2018 and 2019. Henceforth, the Accountant should see to it that supporting documents be completed first, before payment will be made. Moreover, strictly follow the provisions of RA No. 9184.</p>	
<p>Observation No. 40 page 149</p>	<p>Of the amount of P1.294 million billed to concessionaires, only P0.582 million or 45 per cent was collected by AC VIII Management during the year, thus, depriving the Authority of funds that could be used for its operations, programs and/or projects.</p>	<ol style="list-style-type: none"> <li data-bbox="852 764 1175 1373">1. Direct the Billing In-Charge to submit the lacking approved Contract of Lease for Concession for 2019; prepare and renew the Contract of Lease for Concession at least 30 days prior to the expiration of the lease period, and coordinate with CAAP-HO on the speedy approval of the Contract of Lease for Concession; <li data-bbox="852 1394 1175 1709">2. Strictly monitor the implementation of and compliance with the conditions stipulated in the Contract of Lease for Concession, particularly the following: <ol style="list-style-type: none"> <li data-bbox="899 1730 1175 1877">a. Payment of advance rental fees and security deposit 	<p>Fully implemented</p> <p>Fully implemented</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>equivalent to two (2) month each;</p> <p>b. Collection of interest on delinquent accounts due to the lessee at the value of two per cent (2%) compounded monthly from the date of default; and</p> <p>c. Enforcement of termination clause; and</p> <p>3. Expedite the collection of unpaid balances by issuing demand letters to delinquent concessionaire.</p>	<p>Not implemented</p> <p>Reiterated in Observation No. 17 of this report.</p> <p>Fully implemented</p> <p>Fully implemented</p>
<p>Observation No. 41 page 153</p>	<p>The Authority did not apply for Wastewater Discharge Permit relative to the installation of sewage treatment tanks as required under Republic Act (RA) No. 9275 or the Philippine Clean Water Act of 2004, which may result in the imposition of fines and penalties for non-compliance with the said Act. Likewise, the eight sewage treatment tanks with a total cost of P14.712 million remained unutilized resulting in the loss of government funds.</p>	<p>a. Apply for Wastewater Discharge Permit from the Environmental Management Bureau (EMB) for the sewage treatment tanks and ensure compliance with RA No. 9275 or the "Philippine Clean Water Act of 2004"; and</p> <p>b. Request for analysis of effluents for said facilities to validate the effectiveness of the project and achievement of its purpose.</p>	<p>Partially implemented</p> <p>Application for Surigao, Tandag, Bislig, and Siargao Airport was postponed due to community lockdowns and will be rescheduled this year.</p> <p>Partially implemented</p> <p>Wastewater test analysis is available only in Butuan City and due to community lockdowns the waste water analysis for</p>

Reference	Observations	Recommendations	Status of Implementation
			Siargao, Tandag and Bislig Airport is yet to be conducted this year.
Observation No. 42 page 156	Various attributed programs included in the Gender and Development Plans and Budget (GPB) were not subjected to the Harmonized Gender and Development Guidelines (HGDG) test contributing to the non-compliance of the Authority with the five per cent budget allocation requirement.	Management to instruct the Gender and Development Technical Working Group (GAD-TWG) to coordinate with the Philippine Commission on Women (PCW) for the conduct of further trainings to capacitate CAAP personnel in the HO and ACs in the use of HGDG tool in assessing the gender-responsiveness of the Authority's major programs and activities and determine the percentage of budget that can be allocated to the GPB.	Not implemented HGDG is not yet institutionalized in CAAP since it is not yet introduced to all the End-users/Services for their implementation. Reiterated in Observation No. 26 of this report.
Observation No. 43 page 157	The amount appropriated for GAD programs, projects and activities (PAPs) in CY 2019 was not fully utilized, leaving an unused balance of P410.010 million at year-end, thus, the objectives of the projects/programs to pursue women's empowerment and gender equality were not attained.	a. Consider the attainability of GAD PAPs in the formulation of the agency's GPB; and b. Create an effective monitoring tool to ensure proper implementation of identified GAD PAPs.	Not implemented Reiterated in Observation No. 26 of this report. Not implemented Reiterated in Observation No. 26 of this report.
Observation No. 44 page 158	Presentation of Performance Indicators and Target for the year in the GAD Accomplishment Report (ARs) were not clear, complete and in compliance with Philippine Commission	Management agreed to instruct the GAD-TWG to strictly adhere to the provisions of the PCW-NEDA-DBM Joint Circular No. 2012-01 on the proper and complete reporting of GPBs and GAD ARs.	Partially implemented Reiterated in Observation No. 28 of this report.

Reference	Observations	Recommendations	Status of Implementation
	<p>on Women-National Economic Development and Authority-Department of Budget and Management (PCW-NEDA-DBM) Joint Circular No. 2012-01, which resulted in the difficulty in determining the level of accomplishment of each GAD activity of the Authority.</p>		
<p>Observation No. 45 page 159</p>	<p>Non-institutionalization of GAD Database/Sex-Disaggregated Data (SDD) casted doubt on whether the identified programs and activities of the Authority to address gender issues are truly reflective of the existing issues faced by its clients and employees.</p>	<p>Management to instruct the Human Resource Management Office (HRMO) in coordination with GAD-TWG to develop a GAD Database/SDD and capacitate GAD Focal Point System (GFPS) on its use and importance to be able to aid the focal point in the determination of gender issues and corresponding actions to address it.</p>	<p>Not implemented</p> <p>Management failed to institutionalize GAD Database/SDD for the past three (3) audit years.</p> <p>Reiterated in Observation No. 27 of this report.</p>