

## **PART III**

# **STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

**STATUS OF IMPLEMENTATION OF PRIOR YEAR’S AUDIT RECOMMENDATIONS**

Out of the **200** audit recommendations embodied in the Calendar Year (CY) 2021 Annual Audit Report (AAR), **109** were implemented and the remaining **91** which were not implemented were reiterated in Part II of this Report. Details are presented below:

Ref.	Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 1, pages 60-75	<p>The existence, completeness, and valuation of the Property and Equipment (PE) account balance of P49.705 billion as of December 31, 2021, could not be ascertained due to:</p> <p>a) Variance of P20.745 billion between the balances per books of accounts and the Report on the Physical Count of Property, Plant, and Equipment (RPCPPE);</p>	<p>Management to instruct the:</p> <p>a. CAAP-HO, Area Centers V, VIII, IX, and XII to require the Inventory Committee, in coordination with the Supply and Accounting Divisions, to consider the guidelines and procedures in the conduct of physical count of PPE prescribed under COA Circular No. 2020-006 dated January 31, 2020, and plan/strategize on how to conduct and complete the physical inventory-taking within the prescribed period;</p> <p>b. CAAP-HO, Area Centers V, XI, and XII to instruct the Inventory Committee, in coordination with Supply and Accounting Divisions, to prepare and update regularly the RPCPPE;</p> <p>c. CAAP-HO:</p> <p>i. Accounting Division and Supply Division to make a detailed analysis of items recorded as PE, categorize/classify each item in accordance with COA Circular No. 2020-002 re: 2019 Revised Chart of Accounts for Government Corporations, and reconcile regularly their records to establish the accuracy of the recorded</p>	<p>Recommendations (b), (c.i), (d), and (g.i) were implemented while recommendations (a), (c.ii), (e), (f), and (g.ii) were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 1 (a) of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
		<p>balances of the PE accounts;</p> <p>ii. Prepare the necessary adjustments to reflect the correct balances of the PE accounts in the financial statements;</p> <p>d. Area Center V to constitute an Inventory Committee;</p> <p>e. Area Center VI Accountant and Supply Officer to exert effort to reconcile the Property and Equipment (PE) accounts with Supply Division's records;</p> <p>f. Area Center IX to require the maintenance of accounting and property records and conduct regular reconciliation to facilitate the identification of discrepancies and adjust the errors noted, if any;</p> <p>g. Area Center XI:</p> <p>i. Property Control/ Supply Unit to Report PEs in the RPCPPE by type to facilitate comparison and reconciliation of PE balances with that of the Accounting Unit; and</p> <p>ii. Reconcile the PE records of both the Property Control/Supply Unit and the Accounting Unit taking into consideration the procedural guidelines provided under COA Circular No. 2020-006.</p>	

Ref.	Observations	Recommendations	Status of Implementation
	<p>b) Variance of P121.128 million between GL and SL balances as of December 31, 2021;</p>	<p>a. CAAP-HO Accounting Division to:</p> <ul style="list-style-type: none"> <li>i. Analyze and investigate further the causes of the noted variance between the GL and SL, exert effort to locate the supporting documents, and prepare the necessary adjusting entries;</li> <li>ii. Update and maintain regularly the subsidiary ledgers;</li> <li>iii. Regularly monitor and reconcile the GL and SL of each account;</li> </ul> <p>b. Area Center X:</p> <ul style="list-style-type: none"> <li>i. Follow up with CAAP-HO regarding the status of the creation of an appraisal team to assist Area Center X's reconciliation of PEs, otherwise, make initiatives within the area center in conducting physical count and data-gathering in order to resolve the unreconciled balances and identify the composition of the aggregated balances; and</li> <li>ii. Enjoin the Accountant and Property Custodian to update the lapsing schedule and RPCPPE once data is complete and make necessary adjustments to reflect the correct amount of reported PEs and related</li> </ul>	<p>Recommendation (b.i) was implemented while recommendations (a.i), (a.ii), (a.iii), and (b.ii) were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 1 (c) of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
		<p>accumulated depreciation for the fair presentation of financial statements.</p>	
	<p>c) Erroneous measurement of several parcels of land resulting in the overstatement of Land account by P668.333 million;</p>	<p>CAAP-HO Accounting Division to obtain the supporting documents and make the necessary adjustments to reflect the correct balance of the Land account in the financial statements.</p>	<p>Implemented</p>
	<p>d) Non-recording of various items of Property and Equipment accounts for Area Centers in the books of accounts resulting in the understatement of the accounts;</p>	<p>a. Area Centers I, VI, and VII to:</p> <ul style="list-style-type: none"> <li>i. Require the Inventory/Appraisal Committee of CAAP to establish the value of the motor vehicles in accordance with the procedures provided in Section 6.2.12 of COA Circular No. 2020-006;</li> <li>ii. Require the Accountant to immediately record the value of the Motor Vehicle in the books of accounts;</li> </ul> <p>b. Area Center I Property and Supply Officer to prepare the corresponding PAR for proper accountability and monitoring;</p> <p>c. Area Center IX to:</p> <ul style="list-style-type: none"> <li>i. Exert efforts to locate the supporting documents and coordinate with the source agency for records of the transferred properties;</li> </ul>	<p>All the seven recommendations were implemented.</p>

Ref.	Observations	Recommendations	Status of Implementation
		<ul style="list-style-type: none"> <li>ii. Comply with the provision of CAAP MC 13-2001 in the transfer and acceptance of assets/properties to CAAP;</li> <li>iii. Require the Accounting Unit to book up the transferred assets for a fair presentation of the accounts in the financial statements; and</li> <li>d. Area Center XII to exert extra efforts and coordinate with CAAP-HO to secure the necessary documents related to the unrecorded transfer of properties and make the necessary adjusting entries to record these assets in the books of accounts. While waiting for the said documents, include the properties found at the station in the physical count and report in the RPCPPE in conformity with COA Circular No. 2020-006 dated January 31, 2020.</li> </ul>	
	<p>e) Erroneous recording of transactions and misclassifications of accounts resulting in misstatements of various PE and other related accounts;</p>	<p>a. CAAP-HO Accounting Division (AD) to:</p> <ul style="list-style-type: none"> <li>i. Ensure that transactions are properly classified in accordance with the description of accounts per Annex C of COA Circular No. 2020-002 and recorded in the books of accounts, accordingly;</li> <li>ii. Review the lapsing schedule and reconcile the balances against the</li> </ul>	<p>Recommendations (a.i), (a.ii), (a.iii), and (b.ii) were implemented while recommendations (b.i), (c.i), and (c.ii) were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 1 (a) and (f) of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
		<p>amount recognized in the books of accounts;</p> <p>iii. Record the necessary adjustments in the books of accounts to update the balance of the accounts;</p> <p>b. Area Center V:</p> <p>i. Supply In-charge to exclude from the RPCPPE those inventory items below the capitalization threshold;</p> <p>ii. Accounting In-charge to effect adjusting entry reclassifying the cost of air conditioning units amounting to P0.547 million to the account Office Equipment in consonance with COA Circular No. 2020-002;</p> <p>c. Area Center XII Accountant to:</p> <p>i. Compute the depreciation of all the properties of the Area Center including the Work/Zoo animals account to ensure the fair presentation of the asset, depreciation, and its related accounts in the financial statements; and</p> <p>ii. Reclassify the capitalizable major repairs and improvements to their appropriate PE accounts and henceforth, comply</p>	

Ref.	Observations	Recommendations	Status of Implementation
		with PAS 16 on the recognition, capitalization, and classification of PE accounts.	
	f) Non-derecognition of unserviceable properties resulting in an overstatement of PE accounts; and	<p>a. CAAP-HO Accounting Division to coordinate with the Supply Division (SD) to gather the supporting documents, prepare the necessary journal entries to derecognize the unserviceable and disposed PE from the books of accounts, and submit the Journal Entry Voucher to the Audit Team, together with complete documents, for review;</p> <p>b. Area Center XI to:</p> <p>i. Require the Property Control/Supply Unit to prepare a checklist of all unserviceable PPE with complete data in the Inventory and Inspection Report of Unserviceable Properties (IIRUP), duly signed as prepared by the Property Control/Supply Unit Head and approved by the Head of CAAP and submit a copy of the same to the Audit Team and DAC for inspection;</p> <p>ii. Require the Disposal and Appraisal Committee (DAC) to prepare the Appraisal Review Report on Property for Disposal (ARRPD) showing the appraised values of the assets and submit a</p>	<p>Recommendation (a) was implemented while recommendations (b.i), (b.ii), (b.iii) and (c) were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 1 (e) of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
		<p>copy of the same to the Audit Team for review;</p> <p>iii. Instruct DAC to convene and agree on the mode of disposal of the items after receiving the ARRPD duly reviewed by the Audit Team and recommend the applicable mode of disposal for the CAAP Head's approval and submit these documents to the Audit Team for evaluation and action thereon prior to the disposal of unserviceable items; and</p> <p>c. Disposal Committee CAAP-HO, Area Centers VII, XI, and XII to undertake the immediate disposal procedures of unserviceable properties to avoid possible loss due to further deterioration and devaluation of the said properties and to decongest the storage area.</p>	
	<p>g) Unavailability of Certificate(s) of Title to assert CAAP's ownership on 72 parcels of land.</p>	<p>a. CAAP-HO Aerodrome Development and Management Service (ADMS) to:</p> <p>i. Coordinate with Manila International Airport Authority (MIAA) as to the required documentation and immediately submit these requirements to fast-track the processing of the transfer of titles;</p> <p>ii. Provide the Audit Team with the certified true</p>	<p>All the four recommendations were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 34 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
		<p>copy of the Certificate of Title for review;</p> <p>b. Area Center II to facilitate the titling of the 64 lots in the name of CAAP; allocate funds to complete the processing of Certificates of Title and other legal documents to support CAAP's claim of ownership of all its land properties; and safeguard government funds and properties by ensuring that transactions are legal, valid and proper; and</p> <p>c. Area Center VIII to inquire and request with CAAP-HO Central Records and Archives Division (CRAD) for copies of the proof of ownership over these lands which were recorded in the books of accounts. Also, if some of these lands have a Deed of Sale only, propose to CRAD that the deed be annotated by the Registry of Deeds.</p>	
<p>AAR 2021 Observation No. 2, pages 75-79</p>	<p>The balance of Construction in Progress (CIP) – Land Improvement, Infrastructure Assets, and Buildings and Other Structures accounts amounting to P1.556 billion as of December 31, 2021, could not be relied upon due to:</p> <p>a) Inclusion of completed or</p>	<p>a. CAAP-HO Accounting Division to coordinate with Aerodrome Development and Management Service (ADMS) for the submission of all documents related to the completed and terminated projects to support the preparation of reclassification/adjusting entries, prepare the necessary adjusting entries for the reclassification of HO completed projects to the appropriate PE accounts, and effect the transfer to the respective Area Center</p>	<p>Recommendations (b) and (c) were implemented while recommendation (a) was not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 14 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
	<p>terminated projects;</p>	<p>books of accounts the various completed airport projects, including the provision for depreciation;</p> <p>b. CAAP-HO ADMS to review the latest status of all projects, ensure to collate all the necessary and complete documents relative to these projects, conduct a final inspection, issue the necessary certifications (Certificate of Project Completion, Certificate of Final Acceptance), and process the payments for final billings with complete supporting documents, if warranted; and</p> <p>c. Area Center XI Accounting Unit to effect the necessary adjustments in the books of accounts based on the pertinent supporting documents by reclassifying the CIP – Other Public Infrastructures account to its appropriate PE accounts and determine and record the amount of depreciation and accumulated depreciation that should have been recognized for said PEs from the time they were available for use in the operation.</p>	
	<p>b) Misclassification of the project costs;</p>	<p>Direct the Accounting Division to prepare the necessary adjusting entries to correct the erroneous recording of transactions and reflect the correct account balances.</p>	<p>Implemented</p>
	<p>c) Unaccounted amount recorded in CIP -</p>	<p>a. Verify the nature of costs tagged as Unaccounted Amount in the CIP account</p>	<p>Recommendation (c) was implemented while</p>

Ref.	Observations	Recommendations	Status of Implementation
	<p>Other Public Infrastructure of Area Center XI amounting to P9.491 million; and</p>	<p>and thereafter apprise the Audit Team of the results thereof;</p> <p>b. Effect the necessary adjustments in the books of accounts based on the pertinent supporting documents by reclassifying the CIP – Other Public Infrastructures account to its appropriate PE accounts and determine and record the amount of depreciation and accumulated depreciation that should have been recognized for said PEs from the time they were available for use in the operation; and</p> <p>c. Henceforth, regularly monitor completed projects in all airports under Area Center XI and immediately record and reclassify costs of completed projects to its appropriate PE accounts upon completion and thereafter recognize depreciation and accumulated depreciation in accordance with PAS 16.</p>	<p>recommendations (a) and (b) were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 14 of this report.</p>
	<p>d) Inadequate accounting records to validate the ongoing and/or completed projects of Area Center IX.</p>	<p>a. Accounting Unit to locate pertinent records to support prior years' CIP accounts and closely monitor the account thru the maintenance of subsidiary ledgers and other accounting records;</p> <p>b. Coordinate with the Airport Maintenance Section to identify completed projects and request submission of property completion and inventory reports for all</p>	<p>All the three recommendations were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 14 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
		<p>completed projects for proper reclassification and recording to its appropriate PE account, and provision of depreciation for depreciable assets, if any; and</p> <p>c. Accounting Unit to prepare the necessary adjusting entries for the reclassification of the completed projects from CIP-Other Public Infrastructure account to appropriate PE accounts and correct the relevant Depreciation Expense, Accumulated Depreciation, and Retained Earnings accounts.</p>	
<p>AAR 2021 Observation No. 3, pages 80-86</p>	<p>The completeness and valuation of the Accounts Receivable and Operating Lease Receivable totaling P4.616 billion as of December 31, 2021, could not be ascertained due to: a) variance of P1.268 billion between General Ledger (GL) and Subsidiary Ledger (SL) balances; b) existence of past due accounts totaling P4.536 billion, including dormant accounts from the then Air Transportation Office (ATO) amounting to P287.308 million; c) variance of</p>	<p>a. The Credit and Collection Task Group (CCTG) to:</p> <p>i. Intensify collection efforts by issuing monthly Statement of Accounts (SOA) to all airline operators reflecting the current billings and arrearages and issue demand letters to all delinquent clients;</p> <p>ii. Consider designating personnel who will be directly in-charge in dealing with the clients to efficiently aid the Revenue Accountant and SL keepers in the management and collection of receivables;</p> <p>iii. Fast-track the formulation of policy/ies for an effective and</p>	<p>Recommendations (a.ii), (b.ii), (b.vii), and (c) were implemented while recommendations (a.i), (a.iii), (b.i), (b.iii), (b.iv), (b.v), and (b.vi) were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 2 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
	<p>P284.907 million between the balance per books of accounts and the amount confirmed by 21 airline companies and unconfirmed receivable balance of P1.013 billion; and d) unsupported prior years' adjustment amounting to P4.056 million.</p>	<p>efficient billing and collection system including an updated policy and procedures for the imposition of penalties and surcharges to all delinquent accounts;</p> <p>b. The Chief Accountant and/or Area Center Accountants to:</p> <ul style="list-style-type: none"> <li>i. Conduct an in-depth examination and periodic reconciliation of the variances between the GL and the SL, and prepare the necessary adjusting entries, if warranted;</li> <li>ii. Simultaneously record in the GL and SL the collection to reduce the variance of unaccounted remittances with identified airline operators;</li> <li>iii. Monitor the compliance of clients in the submission of remittance advice, proof of payment, and reference numbers of billings paid/settled for the timely issuance of official receipts and updating of SLs;</li> <li>iv. Conduct a regular (at least quarterly) reconciliation of the Other Unearned Revenue/ Income account. Ascertain income already earned from advance payments</li> </ul>	

Ref.	Observations	Recommendations	Status of Implementation
		<p>of ANCs and take up the necessary adjusting entries in the books of accounts;</p> <p>v. Exert diligent effort to locate all the supporting documents to establish the existence and validity of dormant receivables, and exhaust all remedies to collect them, otherwise, request authority to write them off, if warranted, in accordance with COA Circular No. 2016-005;</p> <p>vi. Directly coordinate with the concerned airline operators aside from their designated ground handlers in the country;</p> <p>vii. Keep track of the delivery of billing statements to the clients including those covered by the UCPB Collection Facility; and</p> <p>c. The Area Center V Accountant to locate/trace the Journal Entry Voucher/s and the supporting documents on the adjustment/deduction made from the Accounts Receivable (AR) amounting to P4.056 million, otherwise, restore the said amount to AR, if the adjustment cannot be documented.</p>	
AAR 2021 Observation No.	The Guaranty/Security Deposits Payable account balance of P179.029 million as	a. Exert efforts to locate the documents supporting the balances from prior years since these have been	All the three recommendations were not implemented.

Ref.	Observations	Recommendations	Status of Implementation
4, pages 86-90	<p>of December 31, 2021, could not be relied upon due to:</p> <p>a) Variance of P97.441 million between the balances per General Ledger (GL) and Subsidiary Ledgers (SLs);</p>	<p>carried over cumulatively up to the present;</p> <p>b. Maintain a subsidiary ledger with complete details per project and conduct reconciliation between GL and SL balances to facilitate the monitoring of the transactions and movements of the account; and</p> <p>c. Make the necessary adjustments in the books of accounts to update the account balance.</p>	<p>The observation was reiterated with modification in Part II, No. 20 of this report.</p>
	<p>b) Misclassification of retention money for various Department of Transportation (DOTr) downloaded projects resulting in the overstatement of Guaranty/ Security Deposits Payable and the understatement of Due to NGAs, both by P70.326 million;</p>	<p>a. Exert effort to locate and refer to the documents attached to the vouchers when payments for progress billings of DOTr-funded projects were made and prepare the necessary adjusting entries to reclassify the retention money for DOTR-funded projects from Guaranty/Security Deposits Payable to Due to NGAs;</p> <p>b. Coordinate with the Aerodrome Development &amp; Management Service (ADMS) to obtain a list of DOTr-funded projects to be used as a reference in the monitoring of payments of progress billings from the date of effectivity of MOA to December 31, 2021; and</p> <p>c. Henceforth, ensure that transactions are properly classified and recorded in the books of accounts.</p>	<p>All the three recommendations were implemented.</p>

Ref.	Observations	Recommendations	Status of Implementation
	<p>c) Double recording of the accounting entry to reclassify the retention money of a DOTr-downloaded project totaling P4.749 million in CAAP-HO books of accounts; and</p>	<p>Prepare the necessary adjusting entry to reverse the entry made under JEV No. F-21-12-150 dated December 31, 2021.</p>	<p>Implemented</p>
	<p>d) Inclusion of long outstanding balances of retention money for various completed projects in CAAP-HO books of accounts.</p>	<p>a. Maintain a subsidiary ledger per project and aging schedule for the account, with complete details (i.e. name of suppliers or contractors with their respective total balances and the corresponding number of days outstanding);</p> <p>b. Coordinate with Aerodrome Development and Management Service (ADMS)/Supply Division/End-user regarding the status of various CAAP projects to ascertain the validity of the recorded retention money;</p> <p>c. Evaluate the long outstanding balances per SL for (1) possible reversion to Retained Earnings or (2) possible release of retention money to the respective contractors for projects with final acceptance and without discovered defects and issues after coordination between the End-user or assigned Project Engineer/s and the contractor/s; and</p>	<p>Recommendation (a) was implemented while recommendations (b), (c), and (d) were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 20 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
		d. Effect the necessary adjustments in the books of accounts to update the balance of the account.	
AAR 2021 Observation No. 5 pages 90-97	<p>The faithful representation of Inventory accounts totaling P135.623 million was not ascertained due to:</p> <p>a) Variance of P77.573 million between accounting records and the Report on Physical Count of Inventories (RPCI);</p>	<p>Direct the Chief of the Administrative and Finance Department and the Area Managers of Area Centers V, VI, and VII to:</p> <p>a. Facilitate the reconciliation of records between the Accounting Division/Unit, Supply Division/Unit, and other concerned offices. Thereafter, direct the Accounting Division/Unit to prepare the necessary adjusting entries to establish the true balance of the Inventory accounts;</p> <p>b. Require the Accounting Division/Unit of CAAP-HO and Area Center V to properly and timely maintain Supplies Ledger Cards for all inventory items. Likewise, require the Supply Section of Area Center V to maintain complete and updated Stock Cards;</p> <p>c. Direct the Inventory Committee of Area Center V to conduct a complete count of the inventories, and prepare and submit a complete RPCI;</p> <p>d. Instruct the Supply Division of CAAP-HO to take charge in the storage, control, and distribution of supplies, materials, and office equipment as well as the maintenance of inventory of supplies and equipment and</p>	<p>Recommendation (d) was implemented while recommendations (a), (b), (c), and (e) were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 6 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
		<p>records of property accountabilities of all CAAP employees, particularly on the Medical, Dental and Laboratory Supplies Inventory and Fuel, Oil and Lubricants Inventory; and</p> <p>e. Ensure that the Accounting Division/Unit and Supply Division/Unit of CAAP-HO and Area Centers regularly conduct reconciliation of records after every physical count of inventories.</p>	
	<p>b) Erroneous recording of transactions;</p>	<p>a. Direct the Accounting Division/Unit in CAAP-HO and Area Centers IV, VI, and XII to immediately prepare the necessary adjusting entries to correct the erroneous entries recorded in the books of accounts;</p> <p>b. Direct the Accountant -In-Charge of CAAP-HO, Area Centers IV, VI, and XII to stop the practice of recording purchases/receipt of supplies and materials as outright expenses and instead adopt the practice of debiting appropriate inventory accounts; and</p> <p>c. Require the Flight Inspection and Calibration Group and Air Navigation Service in CAAP-HO to submit, through the Supply Division, delivery receipts/invoices to the Accounting Division to properly support its adjusting entries on the Fuel, Oil, and Lubricants Inventory account.</p>	<p>Recommendations (a) and (c) were implemented while recommendation (b) was not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 6 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
	c) Inconsistent/ erroneous use of inventory cost formula;	<p>a. Apply consistently the average cost method when accounting for supplies inventories; and</p> <p>b. Prepare the necessary adjusting entries to correct the erroneous recording due to the inconsistent use of the cost formula.</p>	<p>Both recommendations were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 6 of this report.</p>
	d) Unrecorded utilization of fuel and lube oil; and	Management to direct the Supply Division to take charge of the control of the Fuel, Oil, and Lubricants Inventory and review and evaluate Reports of Supplies and Materials Issued (RSMIs), for CY 2021 and prior years, and submit the same to the Accounting Division for recording in the books of accounts. Moving forward, the Supply Division ensure the timely submission of RSMIs.	<p>Not implemented</p> <p>The observation was reiterated with modification in Part II, No. 6 of this report.</p>
	e) Unrecognized loss on impairment for obsolete accountable forms.	<p>a. Account for all obsolete accountable forms in the custody of both CAAP-HO and Area Centers. The Accounting Division shall ensure proper accounting of these accountable forms to match where the obsolete accountable forms are stored. Likewise, the Accounting Division shall recognize an impairment loss for the obsolete accountable forms, as necessary; and</p> <p>b. Ensure that disposal of these obsolete accountable forms is in accordance with applicable laws, rules, and regulations.</p>	<p>Both recommendations were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 6 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 6, pages 98-99	The accuracy and completeness of the balance of the Rent/Lease Income account amounting to P86.088 million for the year ended December 31, 2021, and the balances of the related Operating Lease Receivable account, Other Business Income account, and Other Unearned Income account are doubtful due to non-adjustment of the recognized rental income from concessionaires whose applications were approved to avail the Lease/Rental Payment Holiday from January 1 to December 31, 2021.	<p>a. Determine the total amount of rental income recognized from the billings issued to concessionaires whose applications to avail of the lease/rental payment holiday from January 2021 – to December 2021 were approved; and</p> <p>b. Prepare the necessary adjustments in the books of accounts to reflect the adjusting events after the reporting period.</p>	Both recommendations were implemented.
AAR 2021 Observation No. 7, pages 99-101	The completeness and accuracy of Transportation System Fees for Area Centers VIII, XI & XII in the amount of P61.803 million could not be ascertained due to delay in the recognition in the books of accounts of remittances for Domestic Passenger Service Charge by the air carriers, contrary to PFRS 15 and	<p>a. Area Center XI to coordinate with CAAP Head Office to revisit CAAP Memorandum Circular No. 022-17, series of 2017, and enhance or amend the policy guidelines on billing, collection, and recording of the DPSC to comply with Philippine Accounting Standards (PAS) 18 and Section 60 of PD 1445;</p> <p>b. Area Center XI to coordinate with CAAP Head Office to reconcile the Remittance Summary report prepared by the</p>	<p>Recommendations (a), (b), (c), and (f) were implemented while recommendations (d) and (e) were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 13 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
	Section 60 of PD 1445.	<p>Finance Department of CAAP Head Office with the Daily Monitoring Reports prepared by the area centers;</p> <p>c. Area Center VIII to demand from CAAP-HO the share of Area Center VIII of DPSC and that they be notified of it regularly;</p> <p>d. Area Center XII to direct the Area Center Accountant to recognize income from Domestic Passenger Service Charge (DPSC) when earned and record in the books of accounts the period to which the income relates and reconcile the remittance report from Air Carriers and other pertinent documents with the records of Area Center and Satellite Airports to ensure the validity and accuracy of the remitted DPSC from air carriers;</p> <p>e. Area Center XII to coordinate with and if possible, secure a written instruction from CAAP-HO on appropriate mechanisms to address the issues on non-submission of Remittance Reports from Air Carriers and delayed provision of Remittance Summaries which affects recording in the books of accounts of Area Centers; and</p> <p>f. Area Center XII to direct the Air Traffic Service Division Personnel and/or Air Terminal Supervisor to</p>	

Ref.	Observations	Recommendations	Status of Implementation
		prepare and submit on a daily basis the Flight Statistics/Data Report or any relevant report to ensure the validity and accuracy in computations of billed fees and charges as reported in the Abstract of Bills Rendered/Billing Statement to various Air Carriers.	
AAR 2021 Observation No. 8, pages 102-105	Income from Communication Facilities derived from Air Navigational Charges (ANCs) was understated by P15.802 million and P18.257 million in CY 2021 and CYs 2019-2020, respectively, due to a) unbilled and unrecorded ANCs; and b) over/under billings and erroneous recording, resulting further in understated Accounts Receivable and Retained Earnings in the aggregate amounts of P34.059 million and P18.257 million, respectively. The said lapses can be attributed to the absence of clear-cut policies on billing and collection systems and the manual recording of transactions.	<p>a. Develop/formulate a clear-cut policy on billing and collection processes to include, among others, the duties and responsibilities of the offices involved, and a business continuity plan to ensure uninterrupted core operational activities amidst unforeseen circumstances like the COVID-19 pandemic;</p> <p>b. Consider the procurement of an automated system that will integrate the billing, collection, and accounting into a streamlined process;</p> <p>c. Direct the Accounting Division and Billing Unit in CAAP-HO to:</p> <p>i. Immediately act on the recently submitted copies of operational flight permits and prepare and send the billing statements to concerned airline operators for the unbilled flights totaling P28.196 million from CYs 2019 to 2021;</p> <p>ii. Prepare the revised or additional billing</p>	<p>Recommendations (c.i), (c.ii), (d.i), and (d.ii) were implemented while recommendations (a) and (b) were not implemented.</p> <p>The observation was reiterated with modification in Part II, Nos. 2 and 21 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
		<p>statements for the over and under-billings of Air Navigational Charges (ANCs) and prepare the necessary adjusting entry/ies in the books of accounts;</p> <p>d. Direct the Area Center XI Accountant to:</p> <p>i. Require the concerned Accounting Units of satellite airports to thoroughly review the Billing Statements and Abstract of Bills prepared by their billing in-charge personnel prior to the approval of the Airport Managers; and</p> <p>ii. Review regularly the submitted reports, reconcile the differences noted, and prepare the necessary adjusting entries in the books of accounts duly supported by the revised billing statements and Abstract of Bills Rendered.</p>	
<p>AAR 2021 Observation No. 9, pages 105-110</p>	<p>CAAP-HO's manual accounting system could not be relied upon due to a) erroneous recording of transactions; b) recurring unreconciled balances between General Ledger (GL) and Subsidiary Ledgers (SL); and c) unposted Journal Entry Vouchers</p>	<p>a. Initiate the procurement or establishment of an automated/computerized accounting system. Meanwhile, review or revise the current internal control procedures to minimize the risk of incorrect or unreliable financial statements;</p> <p>b. Direct the Accounting Division to:</p>	<p>Recommendations (b.ii) and (b.iii) were implemented while recommendations (a) and (b.i) were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 21 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
	(JEVs), casting doubt on the fair presentation of affected accounts in the financial statements.	<ul style="list-style-type: none"> <li>i. Reconcile the variances noted between the GL and SL and prepare the necessary journal entries, as warranted;</li> <li>ii. Prepare the necessary adjusting entries to correct the misstatements; and</li> <li>iii. Explain the skipped/unposted JEVs, and determine whether these JEVs are mere lapses in the sequencing of the Accounting Division or are indeed unposted JEVs.</li> </ul>	
AAR 2021 Observation No. 10, pages 110-111	The balance of the Due to BIR account amounting to P121.168 million is unreliable due to unaccounted balances amounting to P60.481 million.	Direct the Accounting Division in CAAP-HO and Area Centers III and XI to reconcile its records to determine the nature and necessary details of the P60.481 million balance in the Due to BIR account, and thereafter, remit to the BIR the withholding taxes or prepare the necessary Journal Entry Vouchers to adjust the books of accounts, accordingly.	Not Implemented  The observation was reiterated with modification in Part II, No. 15 of this report.
AAR 2021 Observation No. 11, pages 111-113	The balance of Due to NGAs account amounting to P1.455 billion as of December 31, 2021, could not be relied upon due to a variance of P52.682 million between General Ledger (GL) and Subsidiary Ledger (SL) balances in CAAP Head Office (HO) books of accounts, and the inclusion of	<ul style="list-style-type: none"> <li>a. Direct the CAAP-HO Accounting Division to: <ul style="list-style-type: none"> <li>i. Reconcile the recorded transactions in the GL and the SLs;</li> <li>ii. Prepare and update regularly the subsidiary ledgers;</li> <li>iii. Coordinate with the concerned Area Centers for the preparation and submission of Certification required by</li> </ul> </li> </ul>	Recommendations (a.ii) and (a.iii) were implemented while recommendations (a.i), (a.iv), and (b) were not implemented.  The observation is reiterated with modification in Part II, No. 7 of this report.

Ref.	Observations	Recommendations	Status of Implementation
	<p>long outstanding fund transfers and unsubstantiated transactions amounting to P60.973 million in CAAP-HO and Area Center (AC) X.</p>	<p>DOTr and prepare/collate all documents/ reports to support the liquidation of the funds transferred by DOTr to CAAP;</p> <p>iv. Prepare the necessary adjusting entries to reflect the correct balance of the accounts; and</p> <p>b. Instruct the Area Center X Accountant to coordinate with CAAP-HO and request any proof of binding contract/memorandum agreement between CAAP and the DOTr for the appropriate utilization of the fund based on the stated purpose, otherwise, cause the immediate return of the fund's balance to the DOTr.</p>	
<p>AAR 2021 Observation No. 12, pages 113-116</p>	<p>The balance of the Other Receivables account amounting to P70.643 million as of December 31, 2021, is unreliable due to: a) unadjusted receivable balances (2016-2019) relative to the Daily Subsistence Allowances (DSA) of flight inspectors amounting to P31.982 million; b) long-outstanding and dormant receivables in the total amount of P29.876 million from personnel who are no longer</p>	<p>a. Accounting Division:</p> <p>i. Fast track the reconciliation for unpaid and/or canceled billings totaling P31.982 million and prepare the necessary adjustments in the books of accounts;</p> <p>ii. Record the payment for Daily Subsistence Allowances and other fees and charges upon receipt from airline operators as Other Earned Revenue/Income and debit the same account when CAAP flight inspectors render the services required from them;</p>	<p>Recommendation (a.iii) was implemented while recommendations (a.i), (a.ii), (a.iv), (a.v), (a.vi), (a.vii), and (b) were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 8 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
	<p>connected with CAAP-HO; and c) unsubstantiated balances amounting to P7.326 million.</p>	<p>iii. Send a letter to Intelligence and Confidential Fund Audit Unit (ICFAU) to inquire about the status of the liquidation reports submitted to them for the cash advances of the three former Director Generals amounting to P21.200 million and request for the issuance of the corresponding Credit Notices to support the recording of the liquidation in the books of accounts;</p> <p>iv. Intensify collection efforts by strict implementation of guidelines and procedures prescribed under CAAP Authority Order Nos. 111-10 and 266-17 dated May 7, 2010, and November 9, 2017, respectively, for the settlement of outstanding obligations and accountabilities of all erring accountable officers, including those under Contract of Service;</p> <p>v. Send demand letters for the settlement of unliquidated cash advances of retired, resigned, and separated accountable officers, including the unsettled accountabilities of flight inspectors;</p> <p>vi. Evaluate the dormant accounts and request authority to write them</p>	

Ref.	Observations	Recommendations	Status of Implementation
		<p>off, if warranted, in accordance with COA Circular No. 2016-005;</p> <p>vii. Identify the details and nature of transactions of the P7.326 million unaccounted balances in the books of accounts, maintain the corresponding subsidiary ledgers, and determine whether these receivables are still collectible; and</p> <p>b. Credit and Collection Task Group (CCTG) to coordinate with Flight Standards Inspectorate Service to establish well-defined policies and procedures for the monitoring of transactions starting from the issuance of Pro-forma billing to various airline operators, to the collection of their payments for DSA, fulfillment of the performance obligations of CAAP-HO, (i.e. flight inspection and issuances of related certifications), up to the reimbursement of expenses or liquidation of corresponding flight inspectors' cash advances, for the proper recording of pertinent transactions in the books of accounts and to ensure that controls are in place and compliant with existing regulations.</p>	

Ref.	Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 13, pages 116-119	Due from NGAs and Due from LGUs accounts amounting to P51.074 million and P4.930 million, respectively, were not presented fairly in the financial statements due to the non-recognition of loss allowance for Expected Credit Loss (ECL).	<ul style="list-style-type: none"> <li>a. Coordinate with the identified implementing agencies, if any, for the reconciliation and liquidation of long-outstanding fund transfers. Send demand letters, if necessary;</li> <li>b. Exhaust all means in locating pertinent records relevant to Air Transportation Office (ATO) account balances to pursue the recovery of the unliquidated fund transfers;</li> <li>c. Review and evaluate the dormant balances and recognize impairment loss/allowance for impairment – Due from NGAs and LGUs to ensure that the receivable accounts are fairly presented in the financial statements; and</li> <li>d. Submit to COA a request for authority to write-off off the dormant accounts in accordance with the procedures and requirements prescribed under COA Circular No. 2016-005, if warranted.</li> </ul>	All the four recommendations were implemented
AAR 2021 Observation No. 14, page 119	The balance of the Deposit on the Letters of Credit account amounting to P18.332 million is unreliable due to the absence of documents to support the deposits.	Management exert their best efforts in locating pertinent records relevant to the Deposit on Letters of Credit account and prepare adjusting entries, if warranted.	Implemented

Ref.	Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 15, pages 119-123	The completeness of the Cash In Bank account balance as of December 31, 2021, in the amount of P3.099 billion, could not be ascertained due to: a) variance amounting to P10.471 million between the balance per books of accounts of CAAP Head Office (CAAP-HO) and Area Centers IV and VI, and the confirmed bank balances; b) variance of P10.173 million between General Ledger (GL) and Subsidiary Ledger (SL) balances of CAAP-HO, Area Centers III, and IV; and c) negative balances in seven bank accounts of CAAP-HO and Area Center IX totaling P11.292 million.	<p>a. CAAP-HO to:</p> <ul style="list-style-type: none"> <li>i. Request the assistance of the depository banks and coordinate with clients to identify the depositors of the unrecorded P0.951 million deposits. Prepare the necessary adjusting entry/ies to ensure the recognition of these collections in the books of accounts;</li> <li>ii. Ensure to prepare a subsidiary ledger for unidentified depositors so the necessary adjustments will be facilitated as soon as their identities are known;</li> <li>iii. Coordinate and request assistance from Air Navigation Service (ANS) to identify the transactions pertaining to the unidentified and unrecorded debit memorandum of P476,460, obtain complete documentation, and prepare the necessary adjusting entries;</li> <li>iv. Record immediately in the SL the payment to the Bureau of Customs in connection with the import/shipment of replaced/repared radar parts amounting to P103,715;</li> <li>v. Request the Area Center Accountants (ACs VI,</li> </ul>	<p>Recommendations (a.ii), and (a.iv) were implemented while recommendations (a.i), (a.iii), (a.v), (b), (c), and (d) were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 17 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
		<p>VII, VIII, and XI) to exert effort to locate the documents pertaining to the unidentified deposits/reconciling items, review and establish the entry/ies recorded in the books of accounts to facilitate the preparation of adjusting entries at CAAP-HO;</p> <p>b. For CAAP-HO, Area Centers III, IV, VI, and IX to analyze the cause/s of the variance between the GL and SL balances and prepare the necessary adjusting entries duly supported with documents to correct the balances;</p> <p>c. For CAAP-HO and Area Center III to designate a personnel-in-charge of the preparation of monthly Bank Reconciliation Statements and coordinate with the depository/servicing banks to furnish them with the bank statements at the earliest possible time including debit/credit memos, paid checks, etc. that would give information on the nature of the transactions and would support their eventual recording in the books of accounts during the preparation of monthly Bank Reconciliation Statements; and</p> <p>d. For CAAP-HO, Area Centers III, IV, and IX to prepare and timely submit monthly bank reconciliation</p>	

Ref.	Observations	Recommendations	Status of Implementation
		statements so that reconciling items are immediately detected, recorded, or adjusted in the books of accounts to ensure the validity and accuracy of account balances in the financial statements.	
AAR 2021 Observation No. 16, pages 124-125	Expenses incurred in CY 2021 for the use of aircraft of Asian Aerospace Corporation (AAC) for the Flight Operation Mission of the CAAP-Flight Inspection and Calibration Group (FICG) totaling P34.745 million were erroneously recorded under the Rent/Lease Expenses account instead of Other Maintenance and Operating Expenses (OMOE) account, thereby overstating and understating the respective accounts by the same amount.	<ul style="list-style-type: none"> <li>a. Make the necessary adjusting entries to correct the prior year and current year balances of the Rent/Lease Expenses and MOE accounts. For prior year adjustments, restate the beginning balances of the affected accounts; and</li> <li>b. Assess the substance of the rent/lease contracts entered into by CAAP, both in the Head Office and Area Centers alike, and determine whether or not these contracts involve a lease in accordance with the standards set under PFRS 16 to properly record the transactions in the books of accounts.</li> </ul>	Both recommendations were implemented.
AAR 2021 Observation No. 17, pages 125-127	The existence and completeness of the Due from NGAs account amounting to P51.074 million could not be ascertained due to the variance totaling P11.673 million between the records of CAAP-HO and	<ul style="list-style-type: none"> <li>a. Request from the PS-DBM the cumulative SOA beginning CY 2008, reconcile the same with their records, and coordinate with the former any variance noted;</li> <li>b. Coordinate with the Supply Division to reconcile their records pertaining to</li> </ul>	<p>Recommendations (c), and (d) were implemented, while recommendations (a), and (b) were not implemented.</p> <p>The observation was reiterated with modification in Part</p>

Ref.	Observations	Recommendations	Status of Implementation
	Procurement Service of the Department of Budget and Management (PS-DBM).	<p>deliveries made by PS-DBM since CY 2008;</p> <p>c. Prepare the necessary adjusting entries for the reconciling items noted, and request for the refund of the unexpended balance, or use the same for subsequent purchases from the PS-DBM; and</p> <p>d. Henceforth, monitor regularly the advances paid to PS-DBM as required under COA Circular No. 2016-005 and ensure that the unexpended balances will be refunded or used for subsequent purchases.</p>	II, No. 10 of this report.
AAR 2021 Observation No. 18, pages 127-129	The existence and completeness of the Deferred Charges/Losses totaling P13.653 million as of December 31, 2021, could not be ascertained due to the absence of valid and sufficient supporting documents to substantiate the balance.	<p>a. Direct the Flight Standards Inspectorate Service and other relevant offices to coordinate with the Accounting Division for the submission of pertinent documents to determine the current status of the projects, and thereafter, the Accounting Division to prepare the adjusting entries, as necessary; and</p> <p>b. Instruct the Finance Department to make written representation to Federal Aviation Administration and International Civil Aviation Organization, signed by the Director General, for the refund of any remaining balance, if warranted.</p>	<p>Both recommendations were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 18 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 19, pages 129-133	The accuracy and completeness of CAAP revenue share from Aeronautical Radio of Thailand Ltd. (AEROTHAI) could not be verified due to the absence of pertinent documents resulting in the non-adoption of the accrual basis of accounting in the recognition of income, thereby understating the Communication Network Fees account by P8.984 million and Retained Earnings by P3.665 million.	<p>a. Revisit the existing Agreements with AEROTHAI for the Operation and Maintenance of VHF Air-Ground Data Link Stations and consider introducing amendments by adding provisions relative to the following:</p> <ul style="list-style-type: none"> <li>i. AEROTHAI's submission of a monthly detailed income summary report with supporting documentation that would facilitate the accrual recognition of income as well as the verification of the accuracy and completeness of the CAAP revenue share;</li> <li>ii. An updated list of Multi-Service Ground Stations (MSGs)/Remote Ground Stations (RGS) installed in various locations in the Philippines, where ownership of the communication facilities has already been transferred to CAAP;</li> <li>iii. The effects and legal implications of the acquisition of Aeronautical Radio, Incorporated (ARINC) by Collins Aerospace and other pertinent matters with respect to the existing Agreement;</li> </ul> <p>b. Direct the Accounting Division to adopt the accrual basis of accounting</p>	All the six recommendations were implemented.

Ref.	Observations	Recommendations	Status of Implementation
		<p>as required under PAS 1; and</p> <p>c. Direct the Finance Department/Accounting Division to designate personnel who will be responsible for the following:</p> <p>i. Validation of the accuracy and completeness of data upon receipt of the required detailed income summary report and its supporting documents; and</p> <p>ii. Maintenance of subsidiary ledger for the close monitoring of remittances and to ensure the prompt issuance of official receipts and timely recording of income in the books of accounts.</p>	
<p>AAR 2021 Observation No. 20, pages 133-136</p>	<p>The faithful representation of the year-end balance of Advances to Contractors account amounting to P7.910 million could not be ascertained due to the inclusion of dormant and unrecouped balances in the total amount of P3.566 million for various projects that remained long outstanding in CAAP-HO books of</p>	<p>a. Direct the Accounting Division to:</p> <p>i. Evaluate the validity and accuracy of the Advances to Contractors pertaining to the defunct Air Transportation Office account balances that were carried over in CAAP books of accounts;</p> <p>ii. Locate the supporting documents for the Expansion of Passenger Terminal Building at Tagbilaran Airport and Widening of Apron of Sanga-sanga Airport</p>	<p>Recommendations (a.iii), (b.i), (b.ii), (b.iii), and (b.iv) were implemented while recommendations (a.i), (a.ii), and (a.iv) were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 19 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
	accounts and/or had been terminated.	<p>projects to ensure the existence of advances granted, and take appropriate actions to recoup, if applicable;</p> <p>iii. Coordinate with Aerodrome Development and Management Service (ADMS) and Area Center II for the details, status, and supporting documents of the Construction of the FSS Building at the Basco Airport project;</p> <p>iv. Make the necessary adjustments in the books of accounts, if warranted, to update the balance of the account;</p> <p>b. Direct the Aerodrome Development and Management Service (ADMS) to:</p> <p>i. Check the provisions of the contract of the terminated project, require the contractor to refund the remaining amount of advances granted to them, issue demand letter/s and exert efforts to exhaust administrative and legal means for the recovery of the advance payment;</p> <p>ii. Check the provisions under Republic Act No. 9184 for the remedies that can be resorted to by CAAP to collect the advances to contractors on terminated projects;</p>	

Ref.	Observations	Recommendations	Status of Implementation
		<p>iii. Create a database showing the status of CAAP and DOTr-funded projects that can be accessed by Project Engineers, ADMS, and AD to regularly monitor and update the status of the projects. Instruct all the Project Engineers to provide detailed information such as date of project completion, date of Certificate of Project Completion, date of technical inspection, date of Certificate of Final Acceptance, the status of the vouchers prepared, and/or any additional information regarding the projects to ensure an effective monitoring, timely and complete recoupment of the advances granted to contractors; and</p> <p>iv. Implement an agency-wide policy prescribing the custody and proper turn-over of documents in case of change of assignment or separation of Project Engineers or CAAP employees.</p>	
<p>AAR 2021 Observation No. 21, pages 136-139</p>	<p>CAAP's acceptance of the Philippine Airlines' (PAL) final proposal to settle its outstanding obligations of P6.965 billion as of July 30, 2017, resulted in under-collection and condonation of</p>	<p>a. Collate all the necessary documents pertaining to the uncollected receivable from PAL and submit a request for condonation to the Congress through the COA and the President, otherwise, pursue the collection of the outstanding P1.323 billion; and</p>	<p>Both recommendations were implemented.</p>

Ref.	Observations	Recommendations	Status of Implementation
	<p>P1.323 billion receivables from the latter, was without the approval of the CAAP Board of Directors and contravened the provisions under Section 27 (3) (b) (xxi) of the IRR of RA No. 9497 and Section 20 (1), Chapter 4, Subtitle B, Title I, Book V of Executive Order No. 292 Administrative Code of 1987.</p>	<p>b. Initiate the transfer and consolidation of uncollected PAL accounts from the books of accounts of Area Center XII to that of CAAP-HO.</p>	
<p>AAR 2021 Observation No. 22, pages 139-141</p>	<p>CAAP disbursed the amount of P76.188 million as grant to airline operators beyond the prescribed six-month period contrary to the provisions under Section 4 (gg) (2) of RA No. 11494 and Section 1 of RA No. 11519, hence, the transaction is deemed irregular.</p>	<p>Submit the following:</p> <p>a. An explanation for allowing the air operators to avail of the grant beyond the prescribed six-month period;</p> <p>b. Justification why the amount of P76.188 million granted as assistance to air operators and disbursed after June 30, 2021 which was beyond the timeline prescribed under RA No. 11519, should not be disallowed in audit; and</p> <p>c. Copies of the four billing statements that were not yet provided to the Audit Team, for review.</p>	<p>All the three recommendations were implemented.</p>
<p>AAR 2021 Observation No. 23, pages 141-146</p>	<p>Penalties amounting to P35.877 million incurred by the Security Agency due to offenses/violations</p>	<p>Area Center I Management:</p> <p>a. Instruct the CAAP Security and Intelligence Service (CSIS) to strictly supervise the operation and performance of</p>	<p>Recommendations (a) and (b) were implemented while recommendation (c) was not implemented.</p>

Ref.	Observations	Recommendations	Status of Implementation
	<p>were not meted out in full in violation of items 7.1.16 and 7.1.17 of the Terms and Conditions of the Contract, resulting in non-deduction of P27.256 million from billings of the Security Agency and weakened call to improve their services and deliverables in accordance with the Contract.</p>	<p>undertakings under the contract and prepare regular assessment reports based on the daily inspection by CSIS Area/Stationed Supervisors summarizing all information on observed violations as well as corresponding recommendations which may be considered for the cancellation and/or non-renewal of the agreement;</p> <p>b. Require the Finance personnel to prepare a follow-up communication on the resolution of the validity of penalties enforceable against the Contractor; and</p> <p>c. Direct the Finance personnel to deduct penalties based on the Table of Offenses/Violations and Penalties from succeeding billings considering that these are explicitly identified in the contract of agreement and issue demand letter/s for the collection of the unpaid penalties which amounted to P27.206 million.</p>	<p>The observation was reiterated with modification in Part II, No. 25 of this report.</p>
<p>AAR 2021 Observation No. 24, pages 146-147</p>	<p>Domestic Passenger Service Charges (DPSCs) amounting to P13.786 million, which should have been collected from departing passengers in three airports in Area Center IV, were not remitted in full by the Air Carriers (ArCs) to CAAP</p>	<p>Area Center IV Management:</p> <p>a. Coordinate with CAAP-HO and provide them report on the actual departing passengers every month which the CAAP-HO collecting officer would use as the basis for determining the accuracy of the DPSC remitted by the Air Carriers to them; and</p>	<p>Both recommendations were implemented.</p>

Ref.	Observations	Recommendations	Status of Implementation
	<p>contrary to Memorandum Circular (MC) No. 022-17, series of 2017 due to the failure of CAAP to monitor the accurate amount of remittance and to compel the Arcs to remit the same, hence, depriving CAAP of the much-needed funds that could have been used for its operations.</p>	<p>b. Discuss sanctions and/or systems with CAAP-HO that could be applied to the Air Carriers landing in the Palawan CAAP Area by which they would be compelled to pay the unremitted collections for CY 2021 amounting to P11.483 million with the corresponding interest, and thereafter remit to CAAP HO the correct amount of DPSC.</p>	
<p>AAR 2021 Observation No. 25, page 148</p>	<p>The prescribed Property, Plant, and Equipment Ledger Cards (PPELC) and Property Cards (PC) were not maintained, thereby defeating the purpose of these cards to facilitate the reconciliation of PE accounts between accounting and supply records.</p>	<p>Direct the Accounting Division and Supply Division of CAAP-HO, Area Centers V, VI, VIII, XI, and XII to prepare and maintain the PPE Ledger Cards and Property Cards, respectively, in order to facilitate the periodic reconciliation of Report on the Physical Count of Property, Plant and Equipment, PE per records, PPELCs, and PCs.</p>	<p>Implemented</p>
<p>AAR 2021 Observation No. 26, pages 149-150</p>	<p>Taxes withheld on compensation from officers and employees, as well as on Government Money Payments (GMP), both Value-Added Tax (VAT) and Percentage Tax, and on the expanded withholding taxes from various suppliers totaling P54.350 million for CY 2021 were not</p>	<p>a. Determine the amount of withholding taxes which are yet to be remitted to the BIR and remit the same immediately;</p> <p>b. Strictly adhere in the timely remittance of withholding taxes; and</p> <p>c. Establish policies and procedures that will monitor and ensure that all withholding taxes are timely remitted to the BIR.</p>	<p>All the three recommendations were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 28 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
	remitted by CAAP-HO to the Bureau of Internal Revenue (BIR) within the prescribed period, thereby exposing CAAP to unnecessary penalties and interests.		
AAR 2021 Observation No. 27, page 151	The remittance of withholding taxes in CAAP-HO amounting to P142.881 million did not bear the approval of proper officials as prescribed under Section 4 of PD No. 1445.	<ul style="list-style-type: none"> <li>a. Explain why it has been disbursing government funds without prior approval from the Director General or his designated alternate; and</li> <li>b. Secure post-facto approval for prior DVs and henceforth, exercise due diligence in ensuring that all disbursements bear the approval of proper officials.</li> </ul>	Both recommendations were implemented.
AAR 2021 Observation No. 28, pages 152-154	Purchases of CAAP-HO of Common-Use Supplies and Equipment (CSE) for CYs 2020 and 2021 amounting to P3.301 million and P2.072 million, respectively, from the Procurement Service of the Department of Budget and Management (PS-DBM) were made without approval contrary to Nos. 5 and 6, Section 4 of Presidential Decree No. 1445. Likewise, the lack of control activities in the procurement of	<ul style="list-style-type: none"> <li>a. Formulate clear policies and procedures for the procurement of CSE through the PS-DBM Virtual Store and adopt internal control measures to ensure that assets of CAAP are adequately safeguarded;</li> <li>b. Instruct the Supply Division to prepare and obtain approval of PRs before the procurement of supplies to ensure the validity of purchases;</li> <li>c. Designate an Agency Buyer and his alternate from the Procurement Division only. Likewise, cancel the registration and designation of the Supply Division staff as Agency Buyer; and</li> </ul>	All the four recommendations were implemented.

Ref.	Observations	Recommendations	Status of Implementation
	CSE through the PS-DBM Virtual Store exposes the resources of CAAP to the possible risk of loss, wastage, and misappropriation.	d. Secure post-approved PRs to support the previous orders in the Virtual Store and henceforth, require the preparation of BURs and NBURSA for any changes in the utilization of budget.	
AAR 2021 Observation No. 29, pages 154-157	The inability of the Area Center (AC) XII Management to formulate and implement Alternative Work Arrangement (AWA) during the implementation period of the Modified Enhanced Community Quarantine (MECQ) measures resulted in the entire regular and the job order personnel of the Butuan Airport to physically report for work, unduly necessitating the payment of COVID-19 Hazard Pay totaling P1.269 million despite the absence of written authority, and exposure of personnel to health risks and hazards contrary to Administrative Order No. 43 dated June 1, 2021, CSC Memorandum Circular No. 18, s. 2020 and CAAP Memorandum Circular No. 12-2020.	<p>Instruct Area Center XII to provide and submit the following, for further evaluation of their respective Audit Team:</p> <p>a. Written explanation/justification in allowing all personnel to physically report for work during Modified Enhanced Community Quarantine (MECQ) and failure to formulate and adopt/implement Alternative Work Arrangement;</p> <p>b. Minimum personnel complement per Unit needed to ensure continuous provision of Area Center/Airport's essential and critical services;</p> <p>c. Authority of personnel to physically report for work at their respective work stations on the prescribed official working hours by the Area Manager during the period of implementation of MECQ measures in the area of such work station to validate the payment/grant of Hazard Pay; and</p> <p>d. Area Center XII Management to ensure adherence to the requirements of</p>	All the four recommendations were implemented.

Ref.	Observations	Recommendations	Status of Implementation
		Administrative Order No. 43 dated June 1, 2021, CSC Memorandum Circular No. 18, s. 2020 and CAAP Memorandum Circular No. 12-2020, for economic measures in the disbursements of COVID-19 Hazard Pay to avoid wastage of government resources.	
AAR 2021 Observation No. 30, pages 157-158	The entitlement of several employees in CAAP-HO to the grant and payment of hazard pay could not be ascertained due to the lack of time entries in the attendance log book evidencing their physical attendance during the implementation of Enhanced Community Quarantine (ECQ) and Modified ECQ (MECQ) in CY 2021.	<ul style="list-style-type: none"> <li>a. Require the concerned officers and employees to submit their proof of attendance for the dates/periods specified to ascertain their qualification for the payment of hazard pay, otherwise cause its refund; and</li> <li>b. Enjoin all CAAP employees concerned to strictly comply with the use of the attendance logbook/ biometrics machine to ensure that entries in the DTR for payroll claims have sufficient basis.</li> </ul>	Both recommendations were implemented.
AAR 2021 Observation No. 31, pages 158-162	Poor procurement planning resulted in the overstocking of Accountable Forms in CAAP-HO, Area Centers VIII, IX, and XII which is contrary to Section 7.1 of the 2016 Revised Implementing Rules and Regulation (RIRR) of Republic Act (RA) No. 9184, Section 26 of the General Provisions of the 2021 General Appropriations Act	<ul style="list-style-type: none"> <li>a. Provide the Audit Team an explanation/justification on the overstocking and excessive purchase of accountable forms and prepare a detailed plan on how CAAP will ensure that the existing stocks of accountable forms will not result in loss or wastage;</li> <li>b. Direct the Supply Division of CAAP-HO to coordinate with all Supply Officers of Area Centers and formulate reorder points for each accountable form and to</li> </ul>	<p>Recommendation (c) was implemented while recommendations (a), and (b) were not implemented.</p> <p>The observation was reiterated with modification in Part II, No. 35 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
	(GAA) and Section 5 of COA Circular No. 2012-003, thereby exposing CAAP to potential loss and wastage of resources.	<p>establish a clear process on when to purchase accountable forms to ensure that no overstocking will take place in CAAP-HO as well as in the Area Centers; and</p> <p>c. In Area Centers VIII and IX, ensure that inventory controls like segregation of function and maintenance of stock cards for proper monitoring of accountable forms will be in place in accordance with rules and regulations.</p>	
AAR 2021 Observation No. 32, pages 162-164	Delayed approval of Contracts of Lease for Concession and operation of Concessionaires under expired contracts in Area Centers III, XI, and XII, which indicate business continuity without legal basis and weak internal control exposed government properties to risk of losses and damages.	<p>a. Area Centers III, XI, and XII to follow up with CAAP-HO - Business Development Division on the status of approval of the renewal of concession contract and subsequently, submit to the Office of the Auditor for evaluation; and</p> <p>b. Area Center XI to coordinate with CAAP-HO top management to revisit the Manual on Approval and to consider delegation of authority to the area level on the approval of certain contracts.</p>	Both recommendations were implemented.
AAR 2021 Observation No. 33, pages 164-167	The grant and liquidation of cash advances which were not in accordance with Section 89 of Presidential Decree No. 1445 and COA Circular No. 97-002 dated February 10, 1997, resulted in the accumulation of	<p>a. Strictly adhere to the provisions of COA Circular No. 97-002 in the grant and utilization of cash advances;</p> <p>i. Demand immediate liquidation of cash advances of AOs within the prescribed period and refund the excess amount, if any;</p>	<p>Recommendation (b.iii) was implemented while recommendations (a.i), (a.ii), (a.iii), (b.i), and (b.ii) were not implemented.</p> <p>The observation was reiterated with modification in Part</p>

Ref.	Observations	Recommendations	Status of Implementation
	<p>unliquidated cash advances as of December 31, 2021, and the misstatement of the Advances to SDO, Advances to Officers and Employees and the related expense accounts and to the risk of possible loss or misuse of government funds.</p>	<ul style="list-style-type: none"> <li>ii. Refrain from granting additional cash advances to AOs with unliquidated cash advances; and consider designating additional Special Disbursing Officers in accordance with existing laws, rules, and regulations;</li> <li>iii. Review the effectiveness of the existing policies of CAAP on the recovery of long-outstanding cash advances taking into consideration the provisions under COA Circular No. 96-004 and CSC Memorandum No. 23, s. 2019; and ensure its strict implementation;</li> </ul> <p>b. Require Area Center IX to:</p> <ul style="list-style-type: none"> <li>i. Exert all efforts to locate the whereabouts of the accountable officers with outstanding cash advances who are no longer with CAAP, exhaust all available options toward the settlement of their accountabilities, and request for the write-off of accountabilities for deceased accountable officers and those with long outstanding accounts;</li> <li>ii. Send final written/demand letters duly signed by the Head of CAAP, to erring accountable officers to immediately liquidate their outstanding cash</li> </ul>	<p>II, No. 32 of this report.</p>

Ref.	Observations	Recommendations	Status of Implementation
		<p>advances, or file administrative charges, if warranted; and</p> <p>iii. Revise the existing process to include a formal and documented process on the grant and liquidation of cash advances in consonance with existing laws, rules, and regulations.</p>	
<p>AAR 2021 Observation No. 34, page 167</p>	<p>CAAP–HO Management failed to take necessary action to recover the long-outstanding cash advances granted to the Office of the Government Corporate Counsel (OGCC) lawyers totaling P290,665.</p>	<p>Make representation with the Office of the Government Corporate Counsel (OGCC) relative to the unliquidated cash advances of their lawyers and issue demand letters to the OGCC lawyers to liquidate/recover these advances in the earliest possible time.</p>	<p>Implemented</p>
<p>AAR 2021 Observation No. 35, page 168</p>	<p>Non-compliance with the prescribed timeline for the conduct of procurement activities resulted in delayed implementation of projects which deprived the targeted beneficiaries of the benefits that can be derived thereof.</p>	<p>Direct the Project Management Division/Procurement Division/Bids and Awards Committee and/or other concerned offices to:</p> <p>a. Explain the delays in the procurement activities; and</p> <p>b. Effectively monitor the status of the projects, fast-track their implementation/completion, and strictly observe the timelines of the procurement activities provided in Annex C of the RIRR.</p>	<p>Both recommendations were implemented.</p>

Ref.	Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 36, pages 168-169	CAAP-HO Management was not able to submit copies of the perfected contract and its supporting documents within five working days from its execution as prescribed under COA Circular No. 2009-001, thus, precluded the Audit Team from conducting timely review and evaluation.	Direct the Procurement Division to:  a. Submit the authenticated copy of the contracts, including variation orders, with complete supporting documents within five days from its execution, as required under COA Circular No. 2009-001;  b. Create a database for the effective monitoring of ongoing and completed procurement activities to facilitate the prompt submission of contracts and its supporting documents to the Audit Team; and  c. Closely coordinate with the Aerodrome Development and Management Service and the winning bidders to ensure prompt submission of complete documents to the Audit Team.	All the three recommendations were implemented.
AAR 2021 Observation No. 37, pages 169-170	Non-compliance with the provisions of DOLE Department Order No. 13, series of 1998, on the Cost of Construction Safety and Health Program may adversely affect the contractor's actions to ensure the safety and welfare of construction workers.	Strictly adhere to the provisions of DOLE DO No. 13, series of 1998, by providing as a separate pay item in the Bill of Quantities/Detailed Estimates for the cost of the implementation of CSHP for each construction project.	Implemented

Ref.	Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 38, pages 170-171	Three suspended infrastructure projects with awarded contracts totaling P353.252 million have Right-of-Way issues, which indicated lapses in planning, resulting in delayed implementation of the projects or cancellation that would deprive the public of the benefits thereof.	<p>Strictly adhere to the provisions of the 2016 RIRR of RA No. 9184 and direct the:</p> <ul style="list-style-type: none"> <li>a. Project Management Division/Aerodrome Development and Management Service to immediately act on the suspended projects, to cause/facilitate its early resumption or resolution; and</li> <li>b. Project Management Division/Procurement Division to conduct pre-procurement planning judiciously and strictly adhere to Sections 2, 17.6, and 20 of the 2016 RIRR of RA No. 9184.</li> </ul>	Both recommendations were implemented.
AAR 2021 Observation No. 39, pages 171-179	There was no assurance that transparency, competitiveness, efficiency, and economy were observed in the procurement transactions of CAAP due to non-compliance to various provisions in the 2016 Revised IRR of RA No. 9184 in CAAP-HO, Area Centers I, II, V, VIII, XI and XII.	<ul style="list-style-type: none"> <li>a. Direct the concerned Bids and Awards Committee/Canvass Committees, procurement officers, and other concerned officials to strictly adhere to the provisions of RA No. 9184 and its 2016 RIRR in all procurement activities;</li> <li>b. Require the Air Navigation Operations Department to explain the splitting of purchase requisitions for UPS batteries and resorting to SVP instead of procuring them through public bidding; and</li> <li>c. Direct all the procurement actors to henceforth, strictly adhere to the provisions of the 2016 RIRR of RA No. 9184 by conducting proper planning and procurement procedures in order to avoid</li> </ul>	All the three recommendations were implemented.

Ref.	Observations	Recommendations	Status of Implementation
		splitting of government purchases.	
AAR 2021 Observation No. 40 page 179	CAAP does not have an approved GAD Plan and Budget and GAD Accomplishment Report for CY 2021 due to the non-conduct of GAD planning and budgeting contrary to PCW-NEDA-DBM Joint Circular No. 2012-01, casting doubt on whether the programs, activities, and/or projects of CAAP for CY 2021 are gender-responsive.	Instruct the Chairperson, GFPS Executive Committee, to strictly observe the guidelines in the preparation of the GPB and, henceforth ensure that at least five per cent of the Corporate Operating Budget supports PAPs relative to Gender and Development.	Not Implemented  The observation was reiterated with modification in Part II, No. 43 of this report.