

TIMEBOUND ACTION PLANS FOR ADDRESSING Notice/s of Disallowance (NDs) and Observations From COA
Summary of Audit Observations and Recommendations for CY 2016 (2015 Transactions)

| COA Observation | Regulations | COA Recommendation | Status of Management's Action February 2, 2017 |
|---|--|---|---|
| Existing non-operational elevator as of inspection date, January 7, 2016 | <p>➤ <u>Sec. 6.B.2.c.6 of Revised IRR for B.P. 220:</u></p> <p>Provision of elevator shall be required for buildings 6 storey high and beyond.</p> <p>➤ <u>ICAO, 1984 Part III Sec. 2, 1.3.5:</u></p> <p>In all structures, a dual purpose elevator should be included to be used by personnel and for freight lifting purposes. Space allocated for each function or item of equipment should be ample with reasonable allowance for expansion.</p> | That management should consider/give priority to the rehabilitation of the Aerodrome Traffic Control Tower building and facility to meet international standards and requirements as set by the ICAO and National Building Code of the Philippines | <p>➤ MEMORANDUM OF AGREEMENT between CIAC and CAAP. CAAP agrees to undertake the supply, delivery and installation of Elevator at the Clark Airport Control Tower and renovation of CAAP Transient Quarters (estimated at P5.0M and P1.0M, respectively).</p> <p>CIAC agrees to reimburse the CAAP for the costs of the elevator project.</p> |
| Creeping cracks on the glass tint and dingy/dull tower observation deck glass panel | <p>1. <u>P.D. No. 1096 adopting a National Building Code of the Philippines Sec. 104. General Building Requirements:</u></p> <p>(a) All buildings or structures as well as accessory facilities thereto shall conform in all respects to the principles of the safe construction and must be suited to the purpose for which they are designed.</p> <p>b. XXX</p> <p>(c) Buildings or structures and all parts thereof as well as all facilities found therein shall be maintained in safe, sanitary and good working condition.</p> <p>2. <u>Sec. 2 of P.D. 1445, Government Auditing Code of the Philippines:</u></p> <p>It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.</p> | <p>Reiterating that management adhere to Section 2 of PD No. 1445, specifically to look into what would be beneficial and will promote the efficient and economic use of public funds and resources on administration or operation of the corporation's assets for its protection and benefit while upholding the interests of the government as the same time.</p> | <p>➤ Removed tints causing the viewing decks to be dull and dingy;</p> <p>➤ Installed 12 sets of sunshade blinds covering all viewing decks to prevent glares;</p> <p>➤ No creeping cracks on the airside viewing area.</p> |
| Exposed wiring and electrical components | | | <p>➤ Exposed wirings and electrical components were addressed in the rehabilitation of the training rooms and lounge area.</p> |
| Shabby interior wall paints | | | <p>➤ Painting of wall, stairways and railings are completed.</p> |
| Unoccupied, neglected rooms | | | <p>➤ Training room – rehabilitation: completed</p> <p>➤ Personnel Lounge – rehabilitation: completed</p> |
| Litter around the tower's terrace | | | <p>➤ Monitored regularly by assigned janitors.</p> |

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| 2016-001 | <ol style="list-style-type: none"> 1. ATC Tower has not been maintained and developed for years in violation of National Building Code of the Philippines and MOA executed with CAAP 2. non-operational elevator is not in conformity with Section 6.B.2.c.6 of 2008 Revised IRR for BP 220 and ICAO, 1984, Part III Section 2. 3. deteriorating condition of the ATC Tower puts airport operations at risk caused by facilities which have gone outdated in violation of PD 1096 adopting the National Building Code of the Philippines and Section 2 of PD No. 1445 | <ol style="list-style-type: none"> a. consider/give priority to the rehabilitation of the Aerodrome Traffic Control Tower building and facility b. adhere to Sec. 2 of P.D. 1445, to look into what would be beneficial, efficient and economic use of public funds and resources on administration or operation of the agency's assets for its protection and benefit | <ol style="list-style-type: none"> a. EMD had a meeting with CAAP and agreed that CAAP shall finance the elevator and construction of CAAP Admin office since the 2 facilities are exclusively for CAAP use only. b. EMD had already coordinated with the OIC-CAAP Clark, regarding the other observations, that they shall immediately address the said concerns | <ul style="list-style-type: none"> • Please see attached file for the details. |
| 2016-002 | <ol style="list-style-type: none"> 1. Cash in Bank- LBP Hold-Out Deposit Account and the Sinking Fund LBP-Debt Service Payment Account amounting to P50,235,424.00 and P45,074,397.73, respectively were presented as Cash and Cash Equivalent in the Balance Sheet as of December 31, 2015 contrary to International Accounting Standard (IAS) 7 and Sec. 177 of Manual on New Government Accounting System (NGAS) Volume III, thus affecting the fair presentation of the financial statements as of year-end. | The Management should require the Accounting Department to reclassify the amount of P95.31 Million representing the Cash in Bank – Hold Out Deposit Account and Sinking Fund (LBP-DSPA) account to Non-Current Asset – Long Term Investments in accordance with the Chart of Accounts provided under MNGAS Volume III and consistent with IAS 7 to reflect a more accurate cash position of the corporation as of December 31, 2015 | Management will comply with the audit recommendation by including the two accounts – Cash in Bank 0 LBP Hold-Out Deposit and Sinking Fund (LBP-DSPA) under the Investments group of accounts in the presentation of the Balance Sheet. | <ul style="list-style-type: none"> • Compliant – as of 8/31/16 unaudited FS, Sinking Fund account was presented in the financial statement as investment. The hold out account was replaced by CIAC with a chattel mortgage. It was released and proceeds were deposited to LBP Current in the amount of P40.8 and to LBP Debt Service Payment account in the amount of P9.2M. |
| 2016-003 | <ol style="list-style-type: none"> 1. The validity and propriety of disbursement amounting to Php5,382,442.52 paid in CY 2015 cannot be established due to non-submission of the corresponding disbursement vouchers and their supporting documents to the Audit Team contrary to Sections 4.6 and 107 of P.D. No. 1445 and | <p>The President and CEO to direct the Disbursing Office to:</p> <ol style="list-style-type: none"> a. Observe and adhere to existing laws and regulations on disbursement of funds and submit to the Audit Team within the first ten (10) days of the ensuing month the reports/records together with the | <ol style="list-style-type: none"> a) Adhere to COA's recommendation with regards to submission within the first 10 days of the ensuing month, ensuring a complete submission of all CVs for the month. b) Comply with COA's recommendation that all unclaimed stale checks shall be | <ul style="list-style-type: none"> • Remaining 24 vouchers not yet submitted or a total of P109,507.38 or <u>2%</u> of the total COA observation • Other recommendations are being |

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| | COA Circular No. 2009-006 dated September 15,2009. | <p>required supporting documents.</p> <p>b. Strict compliance on proper accounting of stale checks.</p> <p>c. stop the practice of delegating the release of checks to other departments or personnel without treasury functions; and</p> <p>d. prepare and render a separate report on unreleased/unclaimed checks and cancelled checks to be submitted to the Audit Team on a monthly basis together with the Summary of Disbursements.</p> <p>e. The Manager of the Finance Department to ensure that disbursements are supported with complete documents before effecting payment.</p> | <p>cancelled and reported in the List of Unreleased Checks;</p> <p>c) Comply with COA's recommendations</p> <p>d) Comply with COA's recommendation</p> <p>e) TrD to schedule a coordination meeting with interface departments, so as to set a compliance period or a specific timetable within which the required documents shall be submitted/forwarded to TrD.</p> | implemented by TrD |
| 2016-004 | <p>The validity and accuracy of Accounts Receivable-Trade with net amount of Php90,489,815.89 as of December 31,2015 cannot be relied upon due to lapses in the system of billing and recording in the absence of feedback mechanism among Accounting, Treasury, Marketing and Legal Services Departments relative to the status of locators/ concessionaires. Further, deficiencies in the monitoring of compliance of locators with their contractual obligations and in improving the provisions of the Lease Agreements (LAs) resulted in the increase of uncollected revenues and long outstanding Trade Account Receivables as of year:</p> <p>1. Continuous billing of Delinquent Locators – overstatement of P15,365,927;</p> | <p>It was recommended that the President and Chief Executive Officer(CEO) direct the:</p> <p>a. Manager of the Legal Services Department to (i) provide the Accounting Department with feedback or information pertaining to the status of locators/ concessionaires to aptly effect adjustments on their billings; (ii) adhere to the standard policies on delinquent accounts and provisions of LA to improve collection efficiency and establish an effective system of handling delinquent;</p> <p>b. Manager of Marketing Department to (i) notify in advance, locators/ concessionaires of their intention to renew to facilitate timely renewal of Las; (ii) take charge in monitoring the</p> | <p>a. A committee has been created to monitor contract implementation. This committee composed of Marketing Department, Legal Services Department, Special Concerns Department, Accounting and Treasury Department meets on a regular basis for updating and immediate resolution of issues concerning contracts and lease agreements.</p> <p>b. The Marketing Department has already instituted COA's recommended measure of notifying in advance locators and concessionaires of their intention to renew Las and concessionaire agreement prior to expiration</p> <p>c. The Treasury Department has</p> | <ul style="list-style-type: none"> • Reconstitution of Contracts Admin Body chaired by Atty. Misheena T. Donina, to coordinate with concerned department, (TrD, MD, AcD, LD). Being addressed and discussed every Management Committee Meetings. • Observations pertaining to Treasury are being implemented by TrD. |

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| | <p>2. Billing was stopped for existing locators / concessionaires due to delay in the renewal of their lease agreement; though they are continually in operation</p> <p>3. Unrecognized foreign exchange losses that remain in Trade Receivables account – overstatement of P880,449.99;</p> <p>4. Non-forfeiture of Performance Security and Security Deposits for delinquent or non-performing locators / concessionaires – overstatement of P4,637,226.96</p> <p>5. Existence of untraced inter-branch deposits of locators overstatement of P5,633,236.36</p> | <p>performance and compliance of locators/ concessionaires with their contractual obligations;</p> <p>c. Manager of Treasury Department to (i) continue to enforce collection by observing strict provision on non-payment and implement to the prompt issuance to delinquent letters to pay; (ii) coordinate with locators to inform CIAC of any inter branch payment to avoid or lessen the incidence of untraced deposits; (iii) request the assistance of concerned banks for proper identification of the untraced deposits.</p> <p>d. Heads of Accounting, Treasury, Legal and Marketing Departments to establish a feedback mechanism for the harmonization and coordination among these Departments to improve the collection efficiency.</p> <p>e. The Management to strictly adhere to the provisions of LA and the ISO approved procedures with regard to handling of delinquent accounts.</p> | <p>implemented all of the recommendation of COA.</p> <p>d. This is one of the primary objectives of the committee created, thus committee meets on a regular basis.</p> <p>e. The Treasury shall coordinate with concerned banks and locators / concessionaires / airline operators the verification and possible identification of the source of untraced deposits.</p> | |
| 2016-005 | <p>1. Borrowing costs in the amount of Php24,228,530.08 pertaining to CIAC's loan from Land Bank of the Philippines for the construction of Design and Build Scheme of the CIA Passenger Terminal Expansion I Project Phase 2 which was completed as of May 31, 2014 and commissioned in June 2013 were capitalized contrary to International Accounting Standard (IAS 23),</p> | <p>a. Reclassify the subject PPE charges to the appropriate accounts and to effect the necessary adjustments in the Corporation's books and accounts.</p> <p>b. Disclose to notes to financial statements the amount of borrowing costs capitalized during the period and capitalization rate (interest rate) used.</p> | <p>a. We have complied with the verbal and written recommendations to take up appropriate adjustments in the books and accordingly restate the financial statements as evidenced by the attached journal vouchers.</p> <p>b. Required disclosure in the notes to the financial statements shall also be incorporated.</p> | <p>• Compliant – JV No. 2015/12-096: reclassification of capitalized borrowing cost and JV No. 2015/12-097 to adjust overstated depreciation.</p> |

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| | thus resulted in the overstatement of Property, Plant and Equipment- Other Structures Building Improvements and Depreciation Expense by Php24,288,530.97 and thereby overstating the Income from Operations by Php12,815,195.61 for the CY 2015. 2. Likewise, the overstatement of Other Structures- Building Improvements account in effect overstated both the accumulated depreciation by Php1,153,705.10 and the Net Book Value of the said PPE by Php13,134,824.98 as of December 31, 2015. | | | |
| 2016-006 | 1. Prior year's adjustments in the amount of Php13,603,900.84 were recorded as current year financial statement transactions resulting in the understatement of the reported Income from Operations as of December 31, 2015, thus affecting the fair presentation of the financial statements as of year-end in violation with the provisions stated in International Accounting Standard (IAS) 15 and IAS 8. | Instruct the Accountant to adjust the reported balance of Rent Income and Depreciation Expense as the year-end in the amount of Php5,141,541.29 and Php8,462,359.55, respectively and make the necessary adjusting entries through Journal Entry Voucher. Adjust the beginning balance of the Retained Earnings of the reporting year (CY 2015) in the amount of Php13,178,851.50 and make necessary disclosures in the Noted to Financial Statement in compliance with IAS 8. | We have complied with the audit recommendation in the preparation of the adjusting entries as per attached journal vouchers. Required disclosures in the notes to the financial statement shall be incorporated. Further, the restated financial statements as of December 31, 2015 will be submitted on or before March 10, 2016 which reflects the adjusted beginning balance of the Retained Earnings account. | <ul style="list-style-type: none"> Compliant – JV No. 2015/12-098 to charge to proper account the 6 months moratorium of rent income of AAC and JV No. 2015/12-099 to charge to proper account the 3 month depreciation of the departure area building turned over by DOTC and JV No. 2015/12-097 to adjust overstated depreciation |
| 2016-007 | 1. The corporation successfully achieved the output performance indicators and targets of its Ama na Magaling Mag-aruga sa Anak (AMMA) Program, for which CIAC has been acknowledged and featured for its Gender and Development (GAD) Programs. However, it failed to fully implement other GAD related activities specifically the | For the President and CEO to: a. Require the Budget Officer to allocate/ provide funds for the implementation of its GAD-related activities in compliance with its Annual Gender and Development Plan; b. Continue to develop and implement more GAD-related programs/activities that | a. The Gad Focal Person is coordinating with the Clark Development Corporation (CDC) and Bases Conversion Development Authority (BCDA) for the operationalization of the tri-partite MOA which provides for the sharing of the construction cost of the Halfway house and Child Care Center. Funds are allocated in the 2016 Budget for | <ul style="list-style-type: none"> OPR to continuously coordinate with partner agencies in line with its commitment under the MOU dated 18 November 2014; Commitment has been manifested in the 2016 CIAC GAD Plan and Program and continue the |

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| | infrastructure related projects due to unavailability of funds contrary to PCW, NEDA and DBM Joint Circular No. 2012-10. Lapses in monitoring were noted which defeat the objective of providing gender-responsive workplace and transport system. | <p>advocate women empowerment, promote gender equality and improve the welfare of women that will protect and fulfill their rights</p> <p>c. institute effective measures to monitor and ensure that implemented GAD-related projects are relevant and operational</p> <p>d. adhere to PCW, NEDA and DBM Joint Circular No. 2012-01 in the Preparation of Annual GAD Plans and Budgets and Accomplishment Reports</p> | <p>identified GAD-related projects and activities.</p> <p>b. The commitment to continue advocating for laudable GAD projects and programs is manifested in the 2016 CIAC GAD Plan submitted to the Philippine Commission on Women.</p> <p>c. Management shall comply with the recommendation.</p> | <p>advocacy</p> <ul style="list-style-type: none"> • CIAC has included the GAD facilities in the Daily Terminal Operations Facilities Checklist to ensure that facilities are maintained. • Continue to improve CIAC ability to adhere to the -guideline (PCW-NEDA-DBM Joint Circular 2012-01). • Alignment of projects with the directives of the management. |
| 2016-008 | 1. The replacement of 33 air-conditioning (A/C) that were still in good working condition resulted in unnecessary expenditure of Php2,357,478.05 as defined in COA Circular dated October 29,2012. In addition, these replaced units were not properly accounted for and safeguarded thus, may result to further deterioration and obsolescence. | <p>For the President and CEO to:</p> <p>a) to direct the Property Department (i) to locate and properly account the 33 A/C units; (ii) determine whether these were actually transferred or remained idle or unused; and (iii) expedite the disposal of the idle A/C units stored in the warehouse to preclude their prolong exposure, risk of loss and deterioration.</p> | <p>a. Management thru the Property Department was able to account the 33 A/Cs as recommended by COA. A report was submitted to COA dated 16 March 2016 detailing the location and status of the subjects A/Cs.</p> | <ul style="list-style-type: none"> • COMPLIANT – 33 units were accounted for. 27 units (as 14 operational aircons) were transferred to CDC Staff houses and CIAC offices. The remaining 6 units (as 3 operational aircons are stored in the warehouse. All are in good working condition. |