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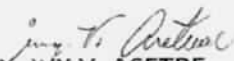
Republic of the Philippines
Tourism Infrastructure and Enterprise Zone Authority
LEGAL DEPARTMENT
Makati City

25 February 2014

Auditor Nenita Lorenzo
Supervising Auditor
Commission on Audit

Dear Auditor Lorenzo:

Pursuant to Governance Commission for Government Owned and Controlled Corporation Memorandum Circular Nos. 2013-05 and 2013-02, we are respectfully submitting to your office a summary of the Commission on Audit's Audit Observation Memoranda for 2013 with the corresponding Authority's reply, concrete and time-bound action plan and the timely execution of such plans.


ATTY. **J. V. ASETRE**



COMMISSION ON AUDIT
TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY


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AUDIT OBSERVATION	ACTION PLAN
<p>The computation of Direct Cost in at least two Projects of the TIEZA includes the salary of the Project Engineer resulting in the over estimate of the Approved Budget for the Contract (ABC) in the total amount of P106,991.36 (AOM No. 2013-24-12)</p>	<p>Management initiated corrective steps to eliminate the lapses in the engineering procedures. All precautions will be taken in order to come up with reliable documents necessary for the smooth implementation and documentation of TIEZA's infrastructures projects.</p> <p>Management prepared communication for the respective local government units involved in the projects requiring them to submit the quantity take-off computation of all items involved in the ABC since it is their own respective engineering office that prepares the detailed estimates.</p>
<p>TIEZA continued to grant sponsorships fees to several non-governmental corporations and associations for activities which have no significant impact on tourism. Moreover, the Authority has no specific guidelines or criteria in the granting of financial assistance and sponsorship fees, thus, amounts granted were arbitrarily given.(AOM No. 2013-23-12)</p>	<p>Management explained that the financial/sponsorship assistance given by TIEZA is allowed under the existing COA guidelines and is in accord with TIEZA's legal mandate.</p>
<p>Splitting of purchase orders and payments was noted in the acquisition of various IT equipment consisting of PC notebooks, PC desktops, printers and Uninterruptible Power Supply (UPS) (AOM No. 2013-22-12)</p> <div data-bbox="196 1624 729 1825">  <p>COMMISSION ON AUDIT OFFICE OF THE COMPTROLLER GENERAL RECEIVED BY: <u>4</u> DATE/TIME: <u>FEB 25 2014</u></p> </div>	<p>Management stated that, with all due respect, COA's reliance on COA Circular No. 76-41 is misplaced as the IRR of RA 9184 has clearly defined splitting of government contracts as follows: "Section 54.1 of the IRR of RA 9184 splitting of government contracts is not allowed. Splitting means the division or breaking up of government contracts into smaller quantities and amounts or dividing contract implementation into artificial phases or sub-contracts for the purpose of evading or circumventing the requirements of law and</p>

	<p>the IRR, especially the necessity of public bidding and the requirements for the alternative methods of procurement.”</p> <p>Management further stated that in awarding said purchase order, TIEZA has complied with the requirements of competitive bidding in accordance with the IRR of RA 9184. Management concluded that there was no splitting of purchase orders as these were awarded on the recommendation of the BAC after a competitive bidding was conducted for the purpose.</p>
<p>Three units of digital signages located at Gardens of Malasag Eco Tourism Village, Zamboanga Golf Course and Management Information Systems Department have remained idle as of December 31, 2012, while four units installed at Cebu Field Office, Club Intramuros Golf Course, Davao Travel Tax Unit and Marketing Department were underutilized. These seven units were purchased at a cost of P2,796,500.00 which have not been utilized according to the intended purpose and were wasted as TIEZA could have just purchased mere television sets for the four units which cost much less than the unit cost of P399,500.00 per digital signage. (AOM No. 2013-21-12)</p>	<p>Management thought of implementing an accessible and cost effective-system in disseminating TIEZA data and information to its clients, thus in 2010, 10 units of Sanyo Digital Signage System were purchased.</p> <p>Management explained that when the ten units were delivered in 2010, all the units were working. TIEZA installed the same in the locations that were designated in the agreement except for the three units that were supposed to be installed at DMIA, Davao International Airport (DIA) and Manila Ocean Park. The management of DMIA and Manila Ocean Park would like the unit to be installed in their area to be donated to them while the management of DIA failed to give clearance for its installation. TIEZA in its desire to fully utilize the three units and avoid wastage of public funds installed the same in Hilaga, Davao Field Office and Management Information Systems Department (MISD) where the units would be in better use.</p> <p>It was further explained that since the ten digital systems having been in operation for almost two years it is but natural that said units must be updated/maintained for</p>

	it to be fully operational. To address this, TIEZA have sent five units of the digital signage system to the supplier for updating and maintenance
AOM No. 2013-20-12 (ND No. 2007-01 and ND No. 2009-01)	<p>Authority has taken necessary actions of offsetting the remaining benefits of Ronald Imperio in the amount of P205,233.00 and the remaining balance after deducting such benefits amounting to P139,766.50.</p> <p>Authority also sent demand letters to Mr. Imperio dated June 13, 2013 for the refund of the allowances he received at the time he was employed as Head Technical Assistant of the Philippine Tourism Authority and at the same time as Duty Free Philippines Comptroller.</p> <p>As regards to ND No. 2009-01, Authority will initiate the appropriate legal efforts to enforce the same.</p>
Long period of time LGUs/NGAs liquidate funds transferred to them, funds that remained unliquidated and the unexpected amounts that were not returned to TIEZA after the completion of the project (AOM No. 2013-18-12)	<p>Authority sent notices and follow-up letters to concerned LGUs/NGAs to liquidate and/or return the unexpected funds.</p> <p>Demand letters were sent by the Corporate Legal Counsel to the recipients who failed to comply with the Authority's requirements.</p>
The amount spent for the topographic survey of the supposed site of the proposed wakeboarding project amounting to P218,888.88 was wasted when the site was transferred from Sitio San Martine, San Vicente, Bamban, Tarlac to Lot 1 Prince	Management will make proper representations with the Clark Development Corporation to have the amount spent for the topographic survey charged to them, as the transfer of project site was due to their representations.

Balagtas Avenue due to the absence of adequate detailed engineering (AOM No. 2013-17-12)	
The cost of completed or dormant infrastructure projects which were recorded under Construction-in-Progress – Other Public Infrastructures account totaling P51,537,402.03 were not closed upon its completion, turn over and final payment, thus, the corresponding expense. Subsidy to Local Government Units (LGU) or Subsidy to National Government Agencies (NGA) were not recognized resulting in the overstatement of the Property, Plant and Equipment (PPE) account and understatement of the Expense accounts by the same amount. (AOM No. 2013-16-12)	Management informed that the Accounting Division make the necessary adjusting entries to close the Construction-in-Progress to Subsidy to LGU account had been undertaken for completed projects totaling P28.39 million. The remaining 23.15 million will be closed upon submission of the necessary supporting documents by the Infrastructure Sector to the Accounting Division.
Travel tax assessments in the amount of P95.461 million remained outstanding and uncollected as of December 31, 2012, depriving the Authority of additional funds needed for its infrastructure projects, as well as other government agencies to sustain their various projects. (AOM No. 2013-15-12)	<p>Authority has written the Securities and Exchange Commission to request for the records of the Corporate Rehabilitation Plan of PAL. Still waiting for their reply.</p> <p>Authority shall also seek for a legal opinion from the Office of the Government Corporate legal Counsel as to whether to write off the unpaid assessment with the surcharges that PAL incurred during the period that it was still a GOCC.</p> <p>The other airlines have responded to the heed of Authority's formal demands to settle their outstanding obligation balance with the Authority.</p> <p>Authority will send final demand letters to the general sales agent of airlines who ceased operations and to those airlines who did not comply.</p>

Advances to contractors totaling P44,230,554.60 representing 64.82% of the reported balance of the account amounting to P68,232,293.01 as of December 21, 2012 had been dormant for over one year to more than 20 years, the possibility of recoupment of which is already very remote, thus, Management's interest was not amply protected and the beneficiaries could have enjoyed for the use of the projects were either delayed or stalled. (AOM No. 2013-13-12)	The Authority sent demand letters to the contractors to recoup the advances made.
Period of action on procurement activities for the construction of DOT Building in Tuguegarao, Cagayan (AOM No. 2013-011-12)	BAC noted the recommendation of COA to strictly observe the deadlines for the Period of Action on Procurement Activities to avoid delay in the implementation of projects and possible withdrawal of prospective bidders.
Results of confirmation on the status of fund transfers to Local Government Units (LGUs) and National Government Agencies (NGAs) cast doubt on the accuracy and reliability of the reported balance of the accounts. (AOM No. 2013-12-12)	Management sent follow-up letters to concerned LGUs/NGAs to liquidate and/or return the unexpended funds.
Inadequate detailed engineering of the project Proposed Swimming Pool at Morong Special Economic Zone costing P9,995,977.75 resulted in the revision of the Program of Work after the contract had been awarded to the winning bidder and consequently caused delay in the implementation of the project. (AOM No. 2013-10-12)	Authority will apply proper coordination with proponents and LGU's concerned and conduct preliminary engineering study to achieve practicability with conformance to Board-approved budget allocated for infrastructure projects.
The procurement of the lease of a	By virtue of BAC Resolution No. 2013-97,

<p>privately-owned building for the new TIEZA office was not done thru public bidding. Moreover, the invitation to bid was not published in a newspaper of general nationwide circulation, thus Management failed to ensure that the most advantageous offer is obtained before awarding a contract. (AOM No. 2013-09-12)</p>	<p>a Notice of Contract Termination dated April 30, 2013 was sent to the contractor.</p> <p>In BAC Resolution No. 2013-97 dated 29 April 2013, the BAC resolved to recommend to declare a failure of bidding for the lease of privately owned building to house the new office of TIEZA, cancellation of the notice of award and rescission of the contract of lease with the contractor.</p> <p>The BAC noted the observations made by the Resident Auditor on the publication requirement and shall undertake to do so in the re-bidding process.</p>
<p>Funds handled at the TIEZA Travel Tax Unit/Offices. (AOM No. 2013-08-12)</p> <p>Transfer of all undeposited collections and working fund balances and cash items from one accountable officer to another without duly signed itemized turn over receipt.</p> <p>Recording of transactions in the cash book was not updated and there was no footing and closing of the cashbook at the month's end.</p> <p>AOs do not retain a duplicate copy of the vouchers and the summary of replenishment of Petty Cash Fund</p>	<p>All cashiers will now be required to submit the accountability form (in three copies) which has been revised to include a working fund status report.</p> <p>In compliance with the guidelines under Section 181 of the Government and Auditing Manual Volume 1, the Cash Collecting/Special Disbursing Officer at DMIA has daily updated the petty cash book. The required footing and closing of book at month's end has also been adhered to. Conformity with this requirement by all SDOs shall be closely monitored.</p> <p>Duplicate copies of all working fund vouchers are being maintained at all travel tax counters. However, the Terminal copies are forwarded to the Main Office every end of the month to prevent files piling up at the Counters which have limited spaces for storage. Copies at the Main Office are also kept within a period of three months only. Summaries of</p>

	replenishments are done at the Main Office. As previously stated in Item 1, we shall require the AOs to accomplish the working fund status portion of the Accountability Report for proper monitoring of Funds' endorsements and pinpointing of responsibilities.
Gender and Development (AOM No. 2013-07-12)	<p>The unaccomplished activities were already included in the succeeding year's GAD Plan and Budget.</p> <p>The establishment of Day Care Centers and Women's Lounge was not included in the 2013 GAD Plan since it will be included in the list of infrastructure projects that would be developed wherein budget attribution will be applied with the use of the Harmonized Gender and Development checklist/tool which the GFPS-TWG pilot tested.</p>
Non-Uniformity in the Application of the Policy on Recording of Attendance of Job Order Hirees (AOM No. 2013-06-12)	<p>All Job Order hirees assigned at the Main Office will be required to use the biometric device daily in accordance with existing policies, rules and regulations.</p> <p>Job Order hirees who are assigned outside the Office will be required to sign the attendance logbook at the office nearest to the areas of assignment.</p>
Hiring of Job Order Personnel in Excess of Need (AOM No. 2013-05-12)	<p>Authority to comply with the spirit of CSC Resolution No. 020790 by utilizing existing personnel of the Authority and resort to hiring of JOs only when necessity requires or when the personnel who shall do the tasks are not available in the agency.</p> <p>Consider preparing a plantilla of positions</p>

	<p>for TIEZA Head Office and its entities to regularize personnel whose duties are essential to its operations.</p> <p>Review the number of present job order hirees and their corresponding tasks in order to determine the actual necessity taking into consideration the test of prudence or diligence of a good father of a family, and consider terminating the services of JOs who were found to be in excess of need.</p>
Motor vehicles owned by Tourism Infrastructure and Enterprise Zone Authority (TIEZA) were not properly marked "FOR OFFICIAL USE ONLY". Moreover, an officer of the Authority was assigned more than one vehicle, contrary to COA Circular No. 75-6 dated November 7, 1975. (AOM No. 2013-04-12)	Management advised that the vehicles being used by the Authority are now bearing red plates in compliance with COA Circular No. 75-6 dated November 7, 1975.
The extension of the contract for security and janitorial services for Tourism Infrastructure and Enterprise Zone Authority (TIEZA) was made without complying with Condition No. 3 and 5 in Item 4, Appendix 17 of Republic Act No. 9184 which states that the procuring entity has to substantially undertake the procurement activities required prior to award of the new contract under RA 9184 and its IRR and the contemplated extension is merely an emergency measure to maintain status quo in the operations of the Procuring Entity and to avoid interruption of service. (AOM No. 2013-03-12)	Management undertook the necessary activities for the procurement of janitorial and security services, and henceforth strictly ensure the procurement of the same be done in accordance with RA 9184.
Refund of Unused Cash Advance (AOM	Authority to comply with Section 5.7 of

No. 2013-02-12)	COA Circular No. 97-002 and Executive Order No. 298.
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