

AUDIT OBSERVATIONS and RECOMMENDATIONS FOR CALENDAR YEAR 2020

AOM No.	Audit Observations	Audit Recommendations	Action Taken/Action To be taken	Submission Date of Reply to COA
<p>1. AOM No. TIEZA 2020-16 (19) dated August 3, 2020</p>	<p>The accuracy and existence of the recorded Property and Equipment (PE) including Investment Property and Service Concession Assets accounts at a total carrying amount (CA) of P6.5 billion could not be ascertained due to partial physical inventory conducted and partial reconciliation of physical inventory results with the accounting records in violation of Section V.4 of COA Circular No. 80-124, thus casting doubt on the fair presentation of the accounts in the Authority's financial statements as required under International Public Sector Accounting Standards (IPSAS) No. 1.</p>	<p>a. Conduct complete physical inventory count of assets or conduct an alternative procedure that would serve the same purpose and refrain from partial inventory taking; b. Adhere to the provision of COA Circular No. 80-124 on the reconciliation of inventory report with the accounting records; and c. Adjust the books of accounts after the reconciliation of asset account balances between the GSD and Financial Services Department (FSD) to reflect the accurate balances of the PE account in the financial statements.</p>	<p>ACTION TAKEN (ADSD-GSD) 1. Conducted Meeting with Fisd and GSD last April 15, 2021 2. Requested a meeting with COA regarding the conduct of 2021 Physical Inventory and clarify some matters on the implementation of COA Circular No. 2020-006 3. Issued Office Order No. 074-2021 re: Creation of Committee in the conduct of 2021 Physical Inventory. 4. Continuous reconciliation is being conducted between Fisd and GSD 5. On-going implementation/ utilization of the Integrated Inventory Management System</p> <p>ACTION TO BE TAKEN (AMGT-BUDD-BRD) 1. Create a Task Force to be composed by AMGT, BUDD, OPED, Fisd, AESS, LEGD, and GSD - to determine and identify properties, equipment and bulding/structure improvements that are due for: 1) disposal; 2) donation; and/or 3) for other necessary action 2. Conduct Actual Physical Inventory for operating and Non- operating</p>	<p>Reply was sent to COA via email on August 10, 2020</p>

			entities once travel restrictions has been lifted (c/o ADSD-GSD)	
2. AOM No. TIEZA 2020-16 (19) dated August 3, 2020	Investment Property amounting to P114.241 million acquired either by purchase or donation remained untitled to date, casting doubt whether the Authority holds or controls the rights to these properties.	We reiterated our prior years' recommendation that Management fast track the titling of Investment Property and to consider filing necessary legal actions against individuals claiming ownership of land acquired by TIEZA, if warranted.	The Management created a Pre-Titling Committee composed of representatives from the Business Research and Development Division of the Business Development Department, Accounting, Budget and Treasury Division of the Financial Services Department, Architectural and Engineering Services Sector and Legal Department to facilitate the titling of the TIEZA Operating and Non-Operating Properties. The committee conducted due diligence as regards the available documents and records and made several coordination meetings with the concerned agencies and respective LGUs. We have attached the Summary of the Updates on Titling of the Priority Assets and the Minutes of the Meeting for your reference and information.	Reply was sent to COA via email on August 10, 2020
3. AOM No. TIEZA 2020-13(19) dated August 3, 2020	The Authority incurred delays in the preparation and signing of contracts with the winning bidders contrary to Section 37.2.2 of the RIRR of RA No. 9184, and delays in the submission of contracts and its supporting documents to COA contrary to COA Circular No. 2009-01	<ul style="list-style-type: none"> a. Adhere to Section 37.2.2 of the IRR of RA No. 9184 on the signing or execution of contract within the prescribed period; and b. Submit contracts and its supporting documents to COA within five working days from the execution of the contract 	The Management undertakes to strictly and fully comply with the requirements provided under Section 37.2.3 of the IRR of Republic Act No. 9184 and Section 3.1.1 of COA Circular No. 2009-001. As an initial step, the Management will seriously look into	Reply was sent to COA via email on August 12, 2020

	dated February 12, 2009, all of which is a disservice to the intended beneficiaries of the projects.	in compliance with Section 3.1.1 of COA Circular No. 2009-001.	the causes of the Authority's failure to adhere to the stringent requirements of Section 37.2.3 of the IRR of Republic Act No. 9184 and Section 3.1.1 of COA Circular No. 2009-001 and will seek for an explanation from the people concerned. In the same vein, the Management and all the concerned divisions will immediately revisit and re-orient its members of R.A. No. 9184, its IRR and the COA Circular No. 2009-001, so as to completely prevent any delay in the submission of the other contracts.	
4. AOM No. TIEZA 2020-16 (19) dated August 3, 2020	Investment Property amounting to P114.241 million acquired either by purchase or donation remained untitled to date, casting doubt whether the Authority holds or controls the rights to these properties.	Fast track the titling of Investment Property and to consider filing necessary legal actions against individuals claiming ownership of land acquired by TIEZA, if warranted.		Reply was sent to COA via email on August 10, 2020
5. AOM No. TIEZA 2020-15 (19) dated August 3, 2020	The two per cent variable component on hotel operations on top of the fixed rental rate provided under the Contract of Lease (CoL) with China Oceanis PTE., LTD. (COPL) was not recorded and collected resulting in understatement and under-collection of rental income and undisclosed share in hotel operations.	a. Assert its entitlement from hotel revenues from 2010 to present through an amendment on the Memorandum of Agreement (MOA) ratifying the payment of the two per cent share on revenues of the hotel built on the platform and collect the same.	In addition to the demand to take immediate action on other issues involved, TIEZA made a demand on the unpaid amount equivalent to 2% of the room revenues net of taxes, derived from the operation of the hotel facilities which Oceanis introduced. TIEZA reiterated its position that the payment thereof is, in essence, "in lessee's consideration of the lessee's act of constructing a hotel on the leased area, whether	Reply was sent to COA via email on August 12, 2020

			<p>landside or platform". A copy of the said demand letter dated 30 August 2019 is hereto attached.</p> <p>Moreover, aside from denying COPI's request for deferment and reduction of rental rate, on 03 July 2020, TIEZA made a demand for the payment of arrears pursuant to the latest Statement of Account (SOA).</p>	
<p>6. AOM No. TIEZA 2020-10 (19) dated July 21, 2020</p>	<p>Travel tax assessments amounting to P94.529 million due and collectible from different airlines remained uncollected and unrecorded, depriving the Authority as well as the National Government and other government agencies of additional funds needed for operations and understating the reported Accounts Receivable by the same amount.</p>	<p>a. File the necessary legal actions against erring airlines to protect the interest of the Authority or disclose if there is any alternative plan of action to effectively enforce collection;</p> <p>b. Set a policy or guidelines on assessments on travel taxes including dues from airlines with ceased operations and from foreign debtors who filed for bankruptcy, allowing the dropping of dormant accounts from the outstanding assessments after collection efforts have been exhausted and proved futile; and</p> <p>c. Record in the books of accounts the tax revenue and accounts receivable of P94.529 million.</p>	<p>The Travel Tax Department is working closely with the Legal Department for the filing of necessary legal actions against erring airlines to protect the interest of TIEZA. The TTD shall exhaust all possible efforts in collecting travel tax dues from airlines which ceased operations, and coordinate with concerned agency/agencies in setting policies and/or guidelines on assessments of travel taxes.</p>	<p>Reply was sent to COA via email on August 3, 2020</p>
<p>7. AOM No. 2020-17(19)</p>	<p>Receivable, guaranty deposits and liability accounts amounting to P301.026 million, P15.073 million and P44.448</p>	<p>a. Require the FSD in collaboration with the LD to file requests for write-off of dormant accounts with COA duly</p>	<p>FISD sent memorandum for BUDD and COMD requesting for assistance for inputs and coordination on the</p>	<p>Reply was sent to COA via email on</p>

<p>dated August 6, 2020</p>	<p>million, respectively, remained dormant for five years to more than 10 years, necessitating the filing of requests for write-off of receivable accounts with the COA; refund of guaranty deposits; and the reversion of liability accounts to Retained Earnings (RE).</p>	<p>supported with documents pursuant to COA Circular No. 2016-005 and COA Resolution No. 2016-022 both dated December 19, 2016 on the proper disposition/closure of dormant funds and/or accounts;</p> <p>c. Require the FSD to analyze the Guaranty Deposit account and enforce the refund of dormant accounts amounting to P15.073 million.</p>	<p>dormant guaranty deposit account. Attached also is the analysis of Guaranty Deposit as of December 31, 2020.</p>	<p>August 13, 2020</p>
<p>8. AOM No. TIEZA 2020-05 (2019) dated January 31, 2020</p>	<p>The dual role of TIEZA as investor and regulator of the Boracay Island Water Company, Inc. (BIWCI), if not properly addressed, may raise conflict of interest. Moreover, the creation of two or more regulatory offices could affect the efficiency of public services within enterprise zones.</p>	<p>a. Revisit the provisions of the Joint Venture Agreement (JVA) and Concession Agreement (CA) with Manila Water Company, Inc (MWCI) and BIWCI, respectively and study actions to take so as not to impair the independence of the TIEZA Regulatory Office (TRO).</p>	<p>The TIEZA CA was patterned after the MWSS CA. Despite the 23 years existence, the MWSS RO continues to evolve in response with the changing times. Its good practices should be emulated by the TIEZA RO in its fledging operations. The relationship between the RO and the MWSS CO (Administrator) Board may also be good reference.</p> <p>The RO has submitted a Memo to the COO dated 24 April 2020, discussion points in the CA.</p> <p>In order to lessen or dispel any perception of conflict of interest, TIEZA may:</p>	<p>Reply was received by COA on February 10, 2020</p>

			<p>1. Grant more independence to its RO and make it more accountable to the BOARD as contemplated in the CA;</p> <p>2. divest tea's 20% ownership in BIWC</p> <p>3. Support the creation of the Boracay Island Development Authority (BIDA) which was approved last 15 June 2021 by the Joint Congressional Committees on Government Enterprises and Local Government. During the July 28, 2021 Board meeting, TO, upon its request, was granted by the Board clarity on the administrative jurisdiction and authority of the Chief Regulator. However, as per Board instructions, RO budget approval process was requested of OGCC in a letter dated 02 August 2021.</p>	
<p>9. AOM No. TIEZA 2020-08 (19) dated June 22, 2020</p>	<p>TIEZA's payment collection system (PCS) customized by CIS Bayad Center, Inc. (CBCI) was found to be unsound resulting in the uploading of understated Daily Collection Reports (DCRs) by P0.726 million; delayed reporting of collections amounting to P0.996 million; penalty charges amounting to P231,980 as of to date; and non-closure of Reference Numbers (RNs) with validity period of 24 hours.</p>	<p>a. Require CBCI to remit the undeposited collections and penalty charges, in the total amount of P0.958 million;</p> <p>b. Require the Management Information System Department (MISD) to review the system flaws and its root causes whether in the uploading or the payment collection program;</p> <p>c. Require CBCI to fix/solve the gathered root causes of the system flaws to eliminate erroneous DCRs and non-closure of RNs;</p>	<p>CBCI will be asked to pay for the penalty charges for 2019 undeposited collections. Details of the computations for the undeposited collections and penalties will be submitted to COA.</p> <p>As of January 2021, CBCI has corrected the errors which they have been found in the system generating the DCRs. As of current monitoring, the DCRs being generated are now accurate.</p>	<p>Reply was sent to COA via email on July 7, 2020</p>

		<p>e. Consider working with CBCI to amend disadvantageous terms and conditions of the Agreement; and</p> <p>f. Strengthen monitoring controls surrounding the PCS including, among others, the random verification of DCRs against the payment transactions generated by the system.</p>	<p>The recommendation to strengthen monitoring controls is noted and will be implemented.</p>	
<p>10. AOM No. TIEZA 2020-10(19) dated July 21, 2020)</p>	<p>The objective of the MOA between TIEZA and the Bureau of Immigration (BI) to facilitate the verification of the accuracy and completeness of travel taxes collected by carriers using the accomplished Arrival/Departure (AD) Cards was not realized due to the non-filling-up of airline ticket numbers and non-submission of the needed data to TIEZA.</p>	<p>Work for the amendment of the MOA with the BI to require strict compliance of filling-up the required airline ticket numbers in the A/D cards of departing passengers and explain why the recommendation was not acted upon and why no personnel was assigned to assist in the encoding of accomplished A/D cards.</p>	<p>The Travel Tax Department (TTD) has been continuously coordinating with the Office of Tourism Development Planning, Research and Information Management (OTDPRIM) of the DOT to assist them in encoding the accomplished A/D Cards. OTDPRIM has requested TIEZA to provide a working space within NAIA and additional personnel in order to augment their existing number of encoders. Prior to the imposition of community quarantine measures last March, the TTD has already acquired the requested space and will present it to OTDPRIM for inspection once operations in NAIA normalize. Additional personnel shall likewise be provided to the OTDPRIM, if still needed.</p> <p>Moreover, the Travel Tax Department have been conducting meetings with BI concerning the recommended</p>	<p>Reply was sent to COA via email on August 3, 2020</p>

			<p>amendments to the MOA, but in light of the COVID-19 pandemic new measures are now being considered by BI such as the proposed online A/D Card System, which will require a new set of amendments to the MOA. In BI's proposal, the Digital A/D Cards can be filled-up by passengers through computer terminals at the airports or through mobile phones. An Airline Ticket Number shall be one of the required information prior to submission of the online form, thereby addressing the concern of non-filling up of airline ticket numbers. In addition, data shall also be available real time as they are already digitized and do not need to be manually encoded. BI would simply grant access to TIEZA's needed information from the A/D Card database, subject to amendment of the MOA upon availability of the said system.</p>	
<p>11. AOM No. TIEZA 2020-15(19) dated August 3, 2020</p>	<p>The Authority's non-action on the continuous occupancy of Baguio-Benguet Chamber of Commerce and Industry, Inc. (BBCCII) on its property despite its violation of the Contract of Lease (CoL) deprives the Authority of opportunities for better use of the property and the income that could be derived therefrom.</p>	<p>Act on their commitment to follow-up with the Office of the Government Corporate Counsel (OGCC) relentlessly to ensure the filing of legal action against BBCCII to vacate the leased premises without prejudice to the payment of arrears on lease and provide this Office with an update or a copy of the legal case filed.</p>	<p>The Legal Department sent another Final Notice of Termination to BBCCII which was received last 15 July 2019. In addition, the Assets Management Sector wrote a letter to the Benguet Electric Cooperative (BENECO) last 09 September 2019 requesting for a temporary disconnection of electricity in the subject property effective upon</p>	<p>Reply was sent to COA via email on August 12, 2020</p>

			<p>payment of last billing statement, however, in its reply, the BENECON denied the same stating the protection of consumer rights based on the Magna Carta for Residential Electricity Consumers.</p> <p>Furthermore, the TIEZA Legal Department has been in constant communication and coordination with the Office of the Government Corporate Counsel (OGCC) as regards the filing of the necessary Ejectment Case against the Baguio-Benguet Chamber of Commerce and Industry, Inc. (BCCII) for its continuous occupancy of the building despite several and repeated demands to vacate. A letter was sent by the Legal Department to the OGCC to follow up on its request for legal guidance and representation anent the legal issues on BCCII and Zamboanga Gold Course. To date, the OGCC is already in the process of gathering the witnesses to conduct an interview for the preparation of their respective Judicial Affidavits.</p>	
12. AOM No. TIEZA 2020-	The Authority incurred delays in the preparation and signing of contracts with the winning bidders contrary to Section	a. Strictly adhere to Section 37.2.2 of the IRR of RA No. 9184 regarding the	Defer until TIEZA obtain funds for more and additional projects that would need another BAC TWG.	Reply was sent to COA via email on

<p>13(19) dated August 3, 2020)</p>	<p>37.2.2 of the RIRR of RA No. 9184, and delays in the submission of contracts and its supporting documents to COA contrary to COA Circular No. 2009-01 dated February 12, 2009, all of which is a disservice to the beneficiaries of the projects.</p>	<p>execution of contract within the prescribed period; and b. Submit contracts and its supporting documents to COA within five working days from the execution of the contract in compliance with Section 3.1.1 of COA Circular No. 2009-001.</p>		<p>August 12, 2020</p>
<p>13. AOM No. TIEZA 2020-11(18,19) dated July 21, 2020</p>	<p>The bid of the winning bidder of Mindanao Tourism and Cultural Village Center project was declared as the lowest calculated responsive bid despite the discrepancy between the quantities of eight items in the Bid Form and the Bill of Quantities (BoQ), which is a ground for disqualification under Section 32.2.1.a of the RIRR of RA No. 9184, the Government Procurement Reform Act.</p> <p>Even granting that the declared winning bid is justified, the contract price in the amount of P88.877 million was not adjusted to current prices despite being overstated by P5.554 million due to erroneous computation of the Approved Budget of the Contract (ABC) that was based on Department of Public Works (DPWH) Department Order (DO) No. 072, series of 2012 instead of DO No. 22, series of 2015.</p>	<p>c. Adhere to Sections 32.2 and 34.3 of the same RIRR and require the Technical Working Group (TWG) to submit a complete and detailed report of Bid Evaluation and Post-qualification on the Mindanao Tourism and Cultural Village Center, Davao City project; and</p>	<p>Defer until TIEZA obtain funds for more and additional projects that would need another BAC TWG.</p>	<p>Reply was sent to COA via email on July 29, 2020.</p>

<p>14. AOM No. 2020-03(10-18) dated January 7, 2020</p>	<p>Dividends due to the National Government (NG) amounting to P6.664 billion based on the taxable income and net earnings derived from operations for Dividend Years (DYS) 2010-2018 remained unrecorded in the books of accounts in violation of Republic Act (RA) No. 7656, otherwise known as the Dividends Law, and its 1998 Implementing Rules and Regulation (IRR) and 2016 Revised IRR (RIRR).</p>	<p>Declare and record in the books of accounts the dividends due to the NG from DYs 2010-2018 in the amount of P6.664 billion and every year thereafter as provided under Sections 5 and 7 of the IRR, s. 1998 and RIRR, s. 2016 of the Dividends Law. The said amount covers net earnings from tax revenue and service and business income commencing from 2010, the year of effectivity of RA No. 9593, otherwise known as the Tourism Act of 2009.</p>		<p>Reply was received by COA on January 30, 2020.</p>
<p>15. AOM No. 2020-09(19) dated July 20, 2020</p>	<p>Unreconciled discrepancies aggregating P77.586 million between the confirmed and book balances of Due from Local Government Units (LGUs) and Due from National Government Agencies (NGAs) cast doubt on the fair presentation of these accounts in the Authority's financial statements as required under IPSAS No. 1.</p>	<p>a. Require the Construction Management Department (CMD) to consistently coordinate and follow-up with the LGUs and NGAs who replied to the confirmation letters to submit the necessary liquidation reports;</p> <p>b. Require the FSD to reconcile the accounts with LGUs and NGAs and adjust the books of accounts, where necessary, to arrive at the correct balances of Due from LGUs/NGAs and Subsidy to LGUs/NGAs in the financial statements; and</p> <p>c. Require the Legal Department (LD) to act timely on the issuance of demand letter to the concerned LGUs and NGAs referred by the FSD or file legal action, if necessary.</p>	<p>ACTION TAKEN BY FISD:</p> <p>FISD maintains the monitoring and reconciliation of transfer of funds to NGA's and LGU's. Demand letters were drafted for sending to concerned LGU's and NGA's for submission of supporting documents for liquidation.</p>	<p>Reply was sent to COA via email on July 27, 2020</p>

<p>16. AOM No. 2020- 14(19) dated August 3, 2020</p>	<p>The Gender and Development (GAD) Accomplishment Report lacks qualitative success indicators to gauge whether or not the objectives were achieved as intended.</p>	<p>The GAD Focal Point System (GFPS) include qualitative success indicators in the targeted activities during the GAD planning to be able to gauge whether or not GAD activities were effectively discharged to ensure that planned objectives are achieved.</p>	<p>Action Taken: 1. The GFPS-TWG included the qualitative success indicators in the submitted 2021 GAD Plan and Budget which is still under the review of Philippine Commission on Women (PCW) as of this time.</p>	<p>Reply was sent to COA via email on August 10, 2020.</p>
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