STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 205 audit recommendations embodied in the prior year's Annual Audit Report, 130 were implemented, hence no longer included in this report; 57 were partially implemented and 18 were not implemented. The observations, the partially and not implemented recommendations are discussed briefly, as follows:

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
2015 1. Various deviations from the Philippine Conceptual Framework for Financial Reporting (PCFFR) and Philippine Accounting Standards (PAS) resulted in the net overstatement of the total assets as at year-end by P2.625 billion in 2015 and P2.522 billion in 2014. Consequently, as at December 31, 2015 and 2014, the liabilities were overstated and understated by P10.631 billion and P3.486 million, respectively, while the equity accounts were overstated by P13.256 billion and P2.525 billion, respectively. We reiterated our prior years' recommendations that Management: *For the Investment in Shares of Stocks*	
a. Prepare the consolidated financial statements to include the assets, liabilities and results of operation of its subsidiaries; b. Eliminate all parent and subsidiary reciprocal account balances during the process of consolidation; and c. Prepare the Statement of Affairs and Statement of Realization and Liquidation and submit them for COA Audit until all its assets are realized; all its liabilities are settled; and the concerned subsidiaries and affiliates are fully liquidated/dissolved in accordance with the pertinent rules and regulations of SEC in compliance with EO No. 590, as amended.	<u>All the three recommendations are not implemented</u> This observation is included as the basis for adverse opinion and reiterated with modification in Observation No. 1 of this report.

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
For the ICR and Investment in RE and the recognition of BD d. Establish and maintain necessary control activities to ensure proper recording of real estate sale transactions, including but not limited to:	
i. Recognizing the real estate sales when payments are received by the Marketing Manager and other agents/brokers and the corresponding due from said Marketing Manager and agents/brokers until they are remitted to the AFPRSBS;	<u>Partially implemented</u> The Controllership Department (CD) is recording all sales whether upon receipt or not of the report of the accounts with full down payments already.
ii. Enforcing compliance by the Marketing Manager and other agents/brokers to timely report sales for proper recording and remit payments from buyers within the period specified in the Marketing Agreement including contractually agreed penalties on late remittances; and	<u>Partially implemented</u> On-going monitoring is being done by the Marketing and Sales Department (MSD) and Asset Management Department (AMD). AMD has requested the System's Legal Department to file a collection letter against the marketing agent for the non-payment of penalties on the late remittances in the amount of P19 million. Accordingly, the LD will request OGCC to handle the said case.
We further recommended that Management: *For the ICR and BD*	
a. Stop crediting the BD accounts for monthly amortization payments by buyers and instead post the same directly to their respective ICR buyers' subsidiary ledgers; b. Prioritize the posting of the monthly amortizations to their respective ICR buyers' ledgers; create new ones if there are none yet. In the meantime, transfer the amount noted to a contra-ICR account to properly report the BD and ICR balances; and	<u>All the three recommendations are partially implemented</u> The CD has already made several adjustments in the ICR and BD accounts as a result of updating the various SLs and analysis/reconciliation of the negative balances of the accounts.

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
c. Investigate and reconcile the negative balances noted in the BD and adjust the accounts, where warranted.	
2. The balances of MCs amounting to P11.565 billion and the interest on MCs of P3.925 billion cannot be relied upon due to the unreconciled difference of P4.914 billion with the subsidiary ledgers (SLs) maintained at the Integrated Financial Management System (IFMS). The absence of reliable members' individual SLs will not facilitate the return of the payment of the member's claim upon implementation of EO Nos. 590 and 590-A and Memorandum Order (MO) No. 90. We recommended that Management update and reconcile the SLs of the IFMS with the books of accounts maintained by the CD in preparation for the transfer of the records of MCs to the GFI Trustee in accordance with EO Nos. 590 and 590-A, as amended by MO No. 90.	<u>Partially implemented</u> The Membership Group (MG) is continuously updating the SLs of the members through uploading of contributions. From the 432,000 line items for review, about 77,700 records were already finished representing 18% of the said items. CD hopes to reconcile about 50% by the end of 2017 if additional personnel will be hired.
3. The presentation and measurement of ICR are not in accordance with the pertinent provisions of PAS and Philippine Financial Reporting Standards (PFRS). The AFPRSBS has not maintained an updated Subsidiary Buyers' Ledger (SBLs) contrary to Section 114 (2) of PD No. 1445, thus, casting doubt on the reliability and fair presentation of the ICR balance and other ICR-related accounts in the financial statements as of and for the year ended December 31, 2015. We reiterated our previous year's recommendation that Management: a. Maintain periodically both hard and soft	<u>Recommendations in letters a to d are</u>

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
copies of SBLs as said documents are useful in determining the outstanding receivable balance of buyers for Management and government regulatory agencies' requirements/use; b. Update regularly the posting to the SBLs supporting the ICR general ledger control account for proper accounting control to ensure the accuracy of the amounts presented in the financial statements and in compliance with the provisions of Section 114 (2) of PD No. 1445; and c. Formulate policies and procedures for the safekeeping and control of the ICR accounts. Likewise, improve the filing system and properly safekeep SBLs and other related supporting documents. Further, we recommended that Management: d. Accrue regularly any interest and penalty income already earned on the accounts;	<u>partially implemented</u> The AMD maintains soft copies of manually prepared SLs using excel format for the monitoring of buyers payments for those accounts not encoded in the Legacy System. A total of 404 manual SLs were prepared for the Sta. Rosa Homes, Tanauan, San Lorenzo, Ciudad Verde and Green Meadows projects. Various accounts are being encoded using the schedule of remittance per account in order to monitor also the monthly remittance of the JV partner.
e. Strictly observe the measurement of ICRs at amortized cost in conformance with the requirements of PAS 39 – Financial Instruments: Recognition and Measurement. For this purpose, all zero-interest bearing accounts, at least for a portion of the payment term, should be remeasured at the present value of the remaining expected payments as of year-end date;	<u>Not implemented</u> The measurement of ICRs at amortized cost will be done once the SLs are already prepared / updated.
f. Investigate and reconcile the negative balances noted in the ICR and adjust the accounts, where warranted; g. Install procedures to ensure that the SBLs/accounts are verified, discrepancy resolved and the same removed in the ICR general control account before the release of the TCTs are authorized;	<u>Recommendations in letters f to g are partially implemented</u> Prioritization of the accounts is being done for the remaining accounts with negative balances. The CD, LD and Internal Records Management (IRMD) are ensuring that all releases of titles are supported by fully paid SLs certified by

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
	CD.
h. Pursuant to PFRS 9 – Financial Instruments, assess at the end of each reporting period, whether (i) there is any objective evidence that the ICR accounts are impaired and recognize any impairment loss; and (ii) the previously recognized impairment loss shall be reversed;	Not implemented Other SLs are still for preparation / updating.
i. Prepare the ICR aging schedule on a periodic basis to facilitate monitoring and evaluation of the accounts, indicating the status thereof to come up with adequate provision for bad debts; and	Partially implemented The CD has already prepared an aging schedule but not yet updated due to the limited personnel of the System.
j. Observe the current/non-current presentation of the ICRs as mandated by Paragraphs 66 and 68 of PAS 1 – Presentation of Financial Statements.	Not implemented Updating of accounts will be done first to determine proper classification / status.
4. The provisions of EO Nos. 590 and 590-A on the winding down, liquidation and abolition of the AFPRSBS was not implemented. The AFPRSBS continues to report on a going concern basis instead of preparing the Statement of Affairs and Statement of Realization and Liquidation resulting in the continuous depletion of the Retained earnings from P1.999 billion in 2011 to P657 million in 2015 (a decrease of 67.13 per cent) due to the payment of the mandated six percent interest on MCs. We reiterated our prior year's recommendation that the AFPRSBS prepare the Statement of Affairs and the Statement of Realization and Liquidation and submit them for COA audit until all its assets are realized, all the liabilities are settled, and the concerned subsidiaries and affiliates are fully liquidated/dissolved in accordance with the pertinent rules and regulations of the SEC.	Not implemented This recommendation is reiterated with modification under Observation No. 6 of this report. The System's Board of Trustees was already converted into the Board of Liquidators (BOL) as provided for MO No. 90. The winding-down plan of the System was already approved by the BoI and transmitted to the GCG TWG. All other provisions of the MO as

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
	regards the operations of the System are being implemented. To date, the GCG TWG has not yet scheduled a meeting to discuss the same.
5. A JV partner has unremitted collections and/or unreported sales cancellations amounting to P74.560 million under a JV Agreement. The recorded balance of ICR Past Due and Retained Earnings was understated by P20.702 million as at December 31, 2015. a. Require the JV partner to produce a report highlighting the remaining outstanding ICR balances as of December 31, 2015 complete with all buyers' information, total payments made by buyers from January 1, 2000 until December 31, 2015 and all cancellations of contracts to sell; b. Demand copies of bank statements/passbooks for all relevant periods pertaining to the mutually agreed account by the JV partner and the AFPRSBS which is under the signature of both; c. Investigate/reconcile the unaccounted difference of P74.560 million and the understatement of ICR Past Due and Retained Earnings of P20.702 million and depending upon the result of such examination: i. Adjust the books and records to reflect cancellations made by buyers and any other discrepancies noted; and/or ii. Demand from the JV partner any unremitted collections with the appropriate penalties, interests and/or sanctions; d. Ensure thereafter the effective monitoring of the remaining accounts and	 <u>Recommendations a to e are partially implemented</u> A JV accountant was hired to undertake the reconciliation of ICRs and the remittance of the JV partner. AMD requested from PMED, REG the turn-over of all files from the former JV accountant relative to the VE III ICRs. A monthly report shall be regularly submitted by the JV accountant and AMD to the IMG Group Head for the update on the accomplishments/efforts made. Adjustments will be made based on the accounts that will be reconciled.

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
the timely remittance and reporting by the JV partner of amounts due to the AFPRSBS; and e. Institute proper legal action against the JV partner should it withhold the requested documents without legal and reasonable grounds.	
6. The amount of P45.657 million was withdrawn from the account of the AFPRSBS in one of its depositary banks in the fulfillment of a writ of execution on garnishment without the necessary filing of money claims with the Commission on Audit (COA) contrary to Sections 4 and 26 of PD No. 1445 and COA Circular No. 2001-002 citing Supreme Court Administrative Circular No. 10-2000 issued on October 25, 2000. We recommended that Management pursue legal remedies available in order to recover the P45.657 million withdrawn from the subject bank account without filing the necessary money claims with COA.	Partially implemented A Petition for Certiorari before the Court of Appeals (CA) against the Developer has already been filed. The Special Fourteenth Division of the CA, Manila granted the petition filed by the System per Notice of Judgment dated May 31, 2016. However, the Developer also submitted the Memorandum of Reconsideration (MR) to the CA on July 28, 2016. The System, in the meantime, may search for the assets of the Developer which can be attached to the case to be filed against the Developer by System's Legal Department and the OGCC.
7. Cash in bank (CIB) account balances per books as at December 31, 2015 are P15.472 million and P18.352 million more than the balances confirmed by the depository banks and other financial institutions, and the Investible Fund Report (IFR) balances maintained by the Treasury	

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
Department (TD), respectively, while the IFR balances were P2.880 million less than the confirmed balances. Bank reconciliation is not regularly done contrary to sound internal control procedures, thereby casting doubt on the accuracy of the CIB balances totaling to P104.030 million as at December 31, 2015. We recommended that Management: a. Prepare regular monthly BRS for all bank accounts to determine the causes of the discrepancies between the book and the bank balances to reflect accurate account balances; b. Reconcile the CIB account of CD and TD on a monthly basis and determine causes for unreconciled amounts; and c. File appropriate charges in case of loss and adjust the book balances, where necessary.	<u>All the three recommendations are partially implemented</u> Reconciliation on the remaining bank account is on-going.
8. Non-execution of lease contracts and non-compliance with certain provisions of existing lease contracts by some lessees are contrary to Article 1403 of Republic Act (RA) No. 386 or the New Civil Code of the Philippines and COA Circular No. 88-282A dated March 3, 1988. This resulted in the delay in payment of monthly rentals and management dues, thus, lost opportunity to immediately use the funds, to the detriment of the AFPRSBS. We reiterated our previous recommendations that Management require the PMED to: a. Execute a duly signed and notarized lease contract before turning over the property to a lessee in compliance with Article 1403 of RA No. 386 and COA Circular No. 88-282A; b. Ensure that for renewals of lease	<u>All the four recommendations are partially implemented</u> PMED has already secured a copy of the consolidated FS of the lessee for PY 2011 to 2014. Coordination is being made with CD and OIA for proper audit

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
contracts, a new contract should be executed either with the existing lessee or a new tenant prior to the expiration of the lease term with the former; c. Impose and accrue on time the agreed penalty and interest on the delayed remittance of the three lessees; and d. Incorporate in subsequent lease contracts the date and time of payment of the monthly management dues and the imposition of penalties for any delay in the payment thereof.	of percentage rent being remitted to the System.
9. Unserviceable assets of undetermined value located at the Iloilo Satellite Office are still included in the Property and Equipment (PE) account contrary to Section 79 of PD No. 1445 and PAS 16 – Property, Plant and Equipment, thus, the PE account and its related Accumulated Depreciation, cannot be relied upon. We recommended that Management: a. Strictly comply with Section 79 of PD No. 1445 and COA Circular No. 89-296 on the proper disposal of unserviceable property; b. Require the AO to prepare the IIRUP as required under COA Circular No. 88-569; and c. Pending the disposal of the unserviceable properties, transfer their remaining book values from PE account to the Other Asset account and derecognize the value of the unserviceable property only upon proper disposal of the property to reflect the accurate balance of the account.	<u>Recommendations in letters a and b partially implemented</u> Coordination was already made by the GSD with the Iloilo personnel for the disposal of the properties. <u>Not implemented</u> This recommendation is hereby reiterated.
2014 10. The BIR Registration of AFPRSBS	

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
did not include registration under the value-added tax (VAT) system, relative to the lease by RSBS of its properties, contrary to pertinent provisions of Republic Act (RA) No. 8424 or the Tax Reform Act of 1997, as amended by RA No. 9337 and Revenue Regulation (RR) No. 16-2005, thus exposing itself to possible financial and legal consequences. Further, it collected VAT from one of its lessees despite being registered as a non-VAT entity contrary also to the aforementioned law and regulation. We recommended that Management: a. Register under the VAT system to comply with pertinent provisions of RA No. 8424 or present proof as to the VAT-exemption of the System, i.e. submission of VEC from the BIR; and b. Study legal remedies to lessen the impact of possible financial and legal consequences of the non-imposition of VAT on the lease of the System's properties in current and previous years.	<u>The two recommendations are partially implemented</u> The System's Legal Department is already coordinating with the Bureau of Internal Revenue (BIR). The BIR is still evaluating the System's request.
11. Lack of supporting schedules and various discrepancies totaling to P24.646 million on prepaid expenses account casts doubt on the reliability of the account balances as of December 31, 2014. Moreover, items not currently realizable within the succeeding year were included as part of Prepayments under current assets contrary to Paragraph 57 of PAS 1 – Presentation of Financial Statements. We recommended that Management: a. Submit all documents to prove the reliability of the transactions; b. Investigate and reconcile the noted unsubstantiated balances in each item of the prepaid expenses and adjust the	<u>Recommendations in letters a to c are partially implemented</u> CD has already reconciled the Prepaid Rental and Prepaid Repairs & Maintenance accounts and were

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
accounts, as necessary; c. Require the concerned operating departments to properly monitor the System's prepaid expenses through, but not limited to, the preparation of detailed supporting schedules, otherwise, the same should not be recorded in the books under the prepaid accounts; Prepare adjusting entries to correct the errors in amortizing prepaid expenses; and d. Present the portions of the prepaid expenses not likely to be consumed or realized within the succeeding year as non-current assets to comply with the requirements of PAS 1.	included in the December 2016 FS. Reconciliation for the other prepaid accounts is ongoing. <u>Not implemented</u> This recommendation is hereby reiterated.
12. Deposits or Advances to MERALCO for the installation of new lines and/or additional facilities totaling P12.357 million from 2006 to 2014 remained unrefunded contrary to the agreements signed for the purpose, thus unfavorable to the System. We recommended that Management: a. Retrieve/produce all documents relative to the deposits made including proof of accomplishments then make personal representation with MERALCO for the following: 1. The status of each service connection projects completed to determine the propriety of a refund; and 2. Any offsets made to be able to update the accounts of the System. b. Demand payment of refunds for those the System is entitled to and update the accounts for any offsets made.	<u>Both recommendations are partially implemented</u> Reconciliation of records with MERALCO is on-going.
13. Transfer Certificates of Titles (TCTs) were not yet consolidated in the name of AFPRSBS. Other deficiencies were also noted in the lists of TCTs, thus, ownership	

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
of properties cannot be ascertained, therefore the propriety and reliability of the System's Acquired Assets and Investment in Real Estate account balance amounting to P422.724 million and P6.780 billion, respectively as at December 31, 2014 is doubtful, contrary to the Conceptual Framework for Financial Reporting. Further, the System's interest and of its members are not safeguarded. We recommended that Management facilitate the immediate consolidation of the TCTs not yet registered in the name of AFPRSBS to protect its interest.	<u>Partially implemented</u> Management is continuously working on the documentation requirements needed to proceed with the transfer of title. All mother titles were already forwarded for individual titling.
14. The continued withdrawal of gasoline by private vehicles from the AFP Commissary and Exchange Services (AFPCES) totaling P0.316 million is contrary to Section 4(2) of Presidential Decree (PD) 1445 and Section 7 of COA Circular No. 77-61 dated September 26, 1077, hence considered irregular expenses, as defined under Section 3 of COA Circular 2012-003 dated October 29, 2012. We recommended that Management for CY 2014 and 2013, refund the amount of P316,434 representing the value of gasoline withdrawn.	<u>Not implemented</u> The Notice of Disallowance was issued and with pending appeal by the Management.
15. Grant of cell card subsidy to an existing post-paid subscription plan holder and payment of communication allowance during official travel to recipient of cell card subsidy constitute excessive expenditure per COA Circular No. 2012-003 dated October 29, 2012, and is contrary to the System's policy on efficient use of	

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
communication facilities, thus its continuous payment will deny the System of funds for its operation. We recommended that Management refund the amount of P24,000 for cell card subsidy given to post-paid plan holder and the amount of P4,200 for official/personnel who claimed communication allowance during travels.	 Not implemented The Notice of Disallowance was issued and with pending appeal by the Management.
16. The System failed to comply with the required submission of contracts/ purchase order (PO) and supporting document to COA within five days upon perfection thereof pursuant to COA Circular 2009-001 dated February 12, 2009. Moreover, no Requisition and Issue Voucher (RIV) were prepared for the System's requirement prior to purchase while POs were not duly acknowledged received by the Supplier, thus, denying imposition of penalties in case of delays in delivery contrary to Section 68 of RA 9184. We recommended that Management prepare RIVs to support POs and proof of requisition of end-users.	Partially implemented GSD will still consider preparing the RIVs.
17. The AFPRSBS has not prepared the Annual Gender and Development (GAD) Plan. Moreover, GAD concerns were not incorporated in the System's Revenue, Expense, Capital Outlay and Cash Flow Budget (Corporate Operating Budget) as required by Executive Order No. 273 dated September 8, 1995 and Joint Circular No. 2004-01 dated April 5, 2004. We recommended that Management formulate/prepare Annual GAD Plan and Accomplishment Reports in compliance with EO 273 ad Joint Circular No. 2012-01 and include GAD concerns in the Systems Corporate Operating Budget	Partially implemented This recommendation is reiterated. Budget for Gender and Sports Development was included in the 2017 Budget. A Gender and Development

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
	Plan was prepared that will cover the period 2016 and 2017 to coincide with the impending deactivation.
2013 18. Valuation and appraisal of assets worth P10.094 billion are not undertaken regularly, as required under the pertinent provisions of PAS 36 and 39 to determine the adequacy and correctness of the allowance for decline in investment value amounting to P1.031 billion as at year-end. We recommended that Management:	
a. Conduct a valuation and appraisal of the System's assets to determine whether there is an increase in value or an indication of impairment thereof, as required under the pertinent provision of PAS 36 and 39;	<u>Partially implements</u> Continuous appraisals are being made on the System properties by in-house appraisers or external appraisers.
b. Submit the details of the allowance for the decline in the value of investment and their corresponding application to each investment account resulting from the valuation/appraisal to be made to provide basis for determining the correctness and adequacy of the amount recognized; and	<u>Recommendations in letters b to c are not implemented</u>
c. Adjust the balance of the allowance for the decline in value of the assets and/or recognized the impairment loss, if any, to reflect the correct value of the Investment in stocks as at year-end.	
19. The Supreme Court's decision declaring the 16 lots located in General Santos City with a book value of P174.175 million as part of the Magsaysay Public Park is a big loss to the System and to the AFP military personnel, who are the rightful owners/beneficiaries of the AFPRSBS funds. We recommended that Management:	

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
a. Conduct an investigation on the officers and employees who failed to exercise the degree of diligence required in the performance and discharge of their duties as stated in Section 4 (a) and (b) of Republic Act (RA) No. 6713; and	<u>Not implemented</u> The Officers and other personnel of AFPRSBS involved in the transaction pertaining to the acquisition of Lot X are not anymore connected with the System. This recommendation is hereby reiterated.
b. Institute appropriate legal actions or impose sanctions on erring officers and employees in conformity with paragraph (a) of Section 11 of R.A. 6713.	<u>Partially implemented</u> Twenty four consolidated cases were filed and are now pending before the 4th Division of the Sandiganbayan, for violation of Section 3(e) of RA No. 3019 and for falsification of public documents.
20. Unserviceable assets are still included in the Property and Equipment (PE) account contrary to Section 79 of Presidential Decree (PD) No. 1445 and PAS 16 – Property, Plant and Equipment and other pertinent rules and regulations, thus overstating the PE account by P2.361 million and its related Accumulated Depreciation by an undetermined amount. We recommended that Management comply with Section 79 of PD No. 1445, COA Circular No. 89-296 and COA Memorandum No. 88-569 on the disposal of unserviceable property so that Management can decongest its storage areas/bodega of obsolete/unserviceable assets and at the same time get the best price upon its sale.	<u>Partially implemented</u> The System has already disposed some of its unserviceable assets.
21. A total of 276 unclaimed/stale checks in the aggregate amount of P1.513 million representing refund of members contributions and other payments have not been canceled, thus, understating the Cash in bank and Accounts payable account by the same amount as of 2014. We recommended that the Cashier report	

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
the stale checks in the List of Unclaimed Checks as cancelled and for the CD to prepare the necessary adjusting entries to take up the cancellation of the stale checks in the books of accounts.	Partially implemented Stale checks amounting to P568,608.56 were already adjusted via JV-ADJ3-2012.
22. The deposit/placement of the System's resources in private banks and financial institutions is contrary to Department of Finance (DOF) Order No. 27-05. We recommended that Management has to transfer its funds from the current depository private commercial banks to government banks.	Partially implemented The remaining CASA accounts with two banks were not immediately closed due to certain operational requirements, such as inter-branch remittance for Iloilo project amortizing buyers and inter-branch encashment of refund checks of members. The capital contribution account of the System amounting to P3 million earns a minimum interest of P15.5% per annum (pa) compounded quarterly. The savings account with the same bank earns 3% p.a. (tax free). With the high interest of the deposits, the System opted to maintain the accounts with the bank.
23. The allowances and benefits totalling to P0.688 granted to employees, as well as per diem and research allowance granted to the members of the Board of Trustees (BOT) totaling to P0.919 million were not in accordance with authorized rate prescribed under the Department of Budget and Management (DBM) Budget Circular No. 2010-1 dated 28 April 2010 and other rules and regulations. We recommended that Management require: a. The six employees to refund the total amount of P125,000 representing the service loyalty cash incentive bonus in excess over the amount prescribed under	All the three recommendations are not implemented

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
CSC Memorandum Circular No. 6, series of 2002; b. The officials and employees to refund cash gift received in excess of the authorized rate prescribed under the DBM Budget Circular No. 2010-1; and c. Refund of the amount of P236,656 representing the amount in excess of the P1,500 granted to all employees of AFPRSBS.	These recommendations are hereby reiterated. Appeals were made by the Management on the disallowances issued.
24. The System's hard disk server crashed and untested data back-up and restore procedures after crash affected the master data records resulting in data loss, inaccurate processing/computation of borrowers' loan balances, interest charges and fines; and further affecting the integrity of data, which may result in the generation of unreliable information and over or under statement of financial records. In relation thereto, the reliability and accuracy of account balances cannot be ascertained in the absence of supporting detailed schedule and subsidiary ledgers (SLs) of the different accounts due to the AFPRSBS management information system's failure in February 2012 and the System's inability to maintain backup and recovery plans and procedures. We recommended that Management: a. Examine the existence of OR amounts with negative values and effect immediate corrections; and b. Exert effort to establish correct account balances, taking prior year balances as starting point or at the time prior to the hard disk crash. Reconcile with the current transactions bridging the gap between two periods, considering that hard copies of supporting documents are	<u>Recommendations in letters a and b are partially implemented</u> In relation to the abolition of the System per MO No. 90 issued in 2016, there is no plan anymore to acquire a new computerized system. At present, the Management Information System Office (MISO) is maintaining the existing system.

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
on hand.	
2012 25. The reliability of the receivables totaling P1.978 billion and the adequacy of the recognized Allowance for Doubtful Accounts (ADA) totaling P588.175 million as at December 31, 2012 cannot be ascertained due to the absence of SLs and an updated and clear basis for the setting up of the allowance for doubtful accounts, contrary to Paragraphs 58, 59 and 63 of PAS 39, as well as Sections 111 and 114 of PD No. 1445. We recommended that Management: a. Update accounting policy or implementing rules to II – Policy on Term Loans that would best reflect the provisioning for ADA to establish the recoverable amounts of the receivables; b. Approved BOT Resolutions showing the annual provisions for ADA in accordance with II.A.1 of Office Policy No. 7-2-87, if any; c. Comply with Section 114 of PD 1445 relative to the maintenance of SL and with Paragraphs 58, 59 and 63 of the Philippine Accounting Standard (PAS) 39 on the recognition of ADA; and d. Prepare the aging schedule on a periodic basis to facilitate monitoring and evaluation of the accounts, indicating the status thereof to come up with adequate ADA.	<u>Recommendations in letters a to d are partially implemented</u> On-going reconciliation is being done by the System A draft of the policy was already made. Additional verifications are being done on the implications of each policy provision. Management is reviewing its policy on the Provisions for Probable Losses and Writing-Off of Accounts. Requests for provisions are done on a case-to-case basis and are presented to the BOT for approval. The CD and the AMD are joining efforts in preparing the SLs for the various ICR accounts. The SLs that were already prepared by AMD were forwarded to CD for validation.
26. The accuracy, reliability and validity of the Accounts Payable-Trade and Non-trade accounts totaling P179.698 million as	

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
of December 31, 2012 cannot be ascertained due to the absence of documents, SLs and schedules to substantiate the account balance and support the claims of creditors against the System, contrary to Section 40, Book VI of the 1987 Administrative Code. Construction Contract Payable account totaling P24.138 million remained in the books from four to 17 years contrary to Section 98 of PD No. 1445. We recommended that Management: a. Establish validity of outstanding obligations and determine whether these were perfected transactions/contracts or just a result of errors in recording; and b. Coordinate with and send letters to creditors requiring the submission of documents to prove their claims from the System.	<u>The two recommendations are partially implemented</u> Reconciliation for the AP Trade Land Owner account is still ongoing. Confirmation letters were already sent to the creditors. Adjustments were already made in 2016 based on the confirmations that were received.
27. Memorandum Receipts (MRs), now Acknowledgement Receipt for Equipment (ARE), are issued to a Responsible Supply Officer (RSO) instead of an individual employee as required in Section 492 of the Government Accounting and Auditing Manual (GAAM). The System's transportation/ motor vehicles have private plate numbers, hence not marked "For official use only". We recommended that Management registered its vehicles as government property for issuance of red plates and mark "For official use only".	<u>Not implemented</u>

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
2010 28.In spite of the restructuring, the loan account of a borrower-corporation with a book balance of P465.521 million has become past due resulting to a total outstanding balance of P3.194 billion per statement of accounts as of December 31, 2010, which exposed the AFPRSBS to the risk of not recovering its investments to the detriment of the public/ members' fund. We recommended that Management: a. Prepare a marketing plan on the disposition of the Royal Plaza Towers considering the best possible marketing strategies in order to recoup the funds which was deprived to the AFPRSBS and its members for many years; b. Undertake a study in determining the possibility to still compel PAPC to immediately secure a written approval to mortgage the unsold condominiums from HLURB as required under PD 9257 to protect the interest of the System; and c. Conduct an investigation on the officers and employees who failed to exercise the degree of diligence required in the performance and discharge of their duties as stated in Section 4 (a) and (b) of RA No. 6713 in the evaluation, monitoring and enforcement of the terms and conditions of PAPC's loan account and institute appropriate legal actions or impose sanctions on erring officers and employees in conformity with paragraph (a) of Section 11 of RA No. 6713.	<u>Recommendations in letters a to c are partially implemented</u> A fact finding committee was created by the Management in 2011 to determine the circumstances in relation to the PAPC account.
29. Ocular inspection of various properties of the AFPRSBS disclosed several lapses in internal control and in the performance of the duties and responsibilities of the concerned department exposing the AFPRSBS to risk	

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
of loss and incurrence of additional monetary burden. We recommended that Management: a. Expedite the disposal of all the AFPRSBS acquired assets to avoid additional expenses in the maintenance and/or restoration or repair of the property; b. Consider filing a case against the JV partner, Benjamin Construction Equipment, Inc. and rescind the JVA for breach of contract due to noncompliance with the terms and conditions stipulated therein so that the property may be offered for sale to avoid additional expenses in maintaining the property. Likewise, take the necessary action to evict and/or remove the properties of those who encroached on the property line of Benjamin 9 with proper coordination with Benjamin Construction (developer), to protect the interest of the AFPRSBS on the said project; and c. Formulate a policy relative to the frequency of reviewing the reasonableness of the pricing of the lease rental rate on properties subject of lease contract by considering the current prevailing lease rate with similar condition within the property location. For the property at Antipolo, immediate review of the reasonableness of the lease/rental rate on the property is recommended. Likewise, secure tax declaration and pay its corresponding property tax for the three building improvements erected thereon to avoid possible penalties in the future.	<u>Recommendations in letters a to c are partially implemented.</u> The Rosales property was already sold to the previous owners. An abrogation of the JV Agreement with Benjamin Construction was approved by the BOT and has already been communicated with the proponent and the partner is currently negotiating with the Management. The Antipolo property being leased to Gutang family is already a subject of an ejectment case due to failure of the lessee to update the lease payments. The case is still with the LD.