STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 58 audit recommendations embodied in the CY 2017 Annual Audit Report, 11 were fully implemented, 28 were partially implemented, 13 were not implemented and six were reconsidered. Out of the 13 unimplemented recommendations, five were reiterated and one will be issued with a Notice of Disallowance. The results of our evaluation of the implementation are shown in the table as follows:

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
2017 1. The financial statements (FS) of subsidiaries and controlled entities of the System where it has invested a total of P2.473 billion were still not consolidated with its FS. Likewise, the investment account is overstated by P17.504 million due to the non-elimination of reciprocal accounts contrary to the pertinent provisions of the Philippine Financial Reporting Standards (PFRS) 10 - Consolidated Financial Statements. Hence, the System's FS do not present the reliable and accurate financial conditions and the results of its operations as of and for the year ended December 31, 2017. We reiterated our previous years' recommendation that Management:	
a. Prepare the consolidated financial statements to include the assets, liabilities and results of operations of its subsidiaries in compliance with the provisions of PFRS 10;	Not implemented Reiterated in Observation No. 4, Part II of this Report.
b. Eliminate all parent and subsidiary reciprocal account balances during the process of consolidation;	Reconsidered Elimination of reciprocal account balances is part of the consolidation process.
c. Prepare the Statement of Affairs and the Statement of Realization and Liquidation of those subsidiaries and affiliates that are already closed and submit them to COA for audit until all its assets are realized; all its liabilities are settled; and the concerned subsidiaries	Not implemented Reiterated in Observation No. 4, Part II of this Report.

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
and affiliates are fully liquidated/dissolved in accordance with the pertinent rules and regulations of Securities and Exchange Commission; and	
d. Require the responsible official to account for and prepare the System's subsidiaries and affiliates financial statements, otherwise, failure by the officials and employees to comply as such shall be subject to administrative disciplinary action under Section 127 of Presidential Decree (P.D.) No. 1445.	Not implemented Reiterated in Observation No. 4, Part II of this Report.
2. Foreclosed properties of the System consisting of a parcel of land and 329 condominium and hotel units amounting to P361.072 million were neither recorded in the books nor in the possession of the System as acquired assets despite the lapse of the one year redemption period in CY 2014. Thus, the System was deprived of any rentals, income and other benefit that can be derived therefrom, contrary to Paragraphs 5 and 16 of Philippine Accounting Standard (PAS) 40. Likewise, waived penalties amounting to P248.607 million were not capitalized as part of the outstanding commercial loan, contrary to Paragraph 4.5 of the Amendment to the Loan Agreement dated December 21, 2001. We recommended that Management:	
a. Adjust accordingly the unrecorded waived penalty to the outstanding past due – commercial loan to the corporation;	Fully implemented
b. Reduce the past due – commercial loan to the corporation account by P361.072 million and record as investment property the newly acquired asset; and	Not implemented
c. Enforce collection of the adjusted past due balance of the commercial loan against the spouses who are key officers of the corporation in accordance with the Joint and Several Suretyship (JSS).	Partially implemented There is an ongoing case between the System and the borrower in relation to the collection of account. The Board of Liquidators (BOL) has recently approved the authority of AFPRSBS to enter into a

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
	Compromise Agreement, subject to approval by the Governance Commission for GOCCs (GCG).
3. The accuracy and validity of property and equipment (PE) accounts with a book value of P23.544 million (exclusive of Building amounting to P9.143 million) as at December 31, 2017 were doubtful mainly due to: (a) difference of P95.009 million between the general ledger (GL) and the subsidiary ledger (SL); (b) difference of P9.210 million between the report of physical count of the property, plant and equipment (RPCPPE) and accounting records; and (c) unserviceable assets in the amount of P2.128 million recorded under the PE account instead of Other Assets. We reiterated our previous year's recommendation that Management:	
a. Reconcile the difference between the GL and the SL both maintained in the Integrated Financial Management System (IFMS) and manually recorded;	Partially implemented Reiterated in Observation No. 5, Part II of this Report.
b. Reconcile the RPCPPE with the Accounting records;	Partially implemented Reiterated in Observation No. 5, Part II of this Report.
c. Reclassify all unserviceable assets to Other Assets account; and	Not implemented
d. Require the Inventory Committee to account for and classify the items included in the RPCPPE according to the category used by the Accounting Department (AD).	Fully implemented
4. The existence, validity and accuracy of Cash in Bank accounts totalling to P38.199 million as at December 31, 2017 could not be substantiated due to non-preparation/ updating of Bank Reconciliation Statement (BRS) and the inclusion of bank account which was already closed thereby resulting to a discrepancy of P9.364 million between the bank confirmed amount and the GL	

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
balance contrary to Sections 63 and 74 of P.D. No. 1445. We recommended that Management:	
a. Reconcile the balances of the accounts and make the necessary adjustments in the books; and	Partially implemented One bank account was not reconciled with the balance per bank confirmation having negative balance of P356,274 per books.
b. Prepare the monthly BRS properly for all bank accounts maintained by the System.	Partially implemented BRS for four out of five bank accounts are prepared monthly while the other one was last prepared on May 31, 2015.
5. Refund of members' contributions (MCs) inclusive of interest resulted in an overpayment of P6.007 million for 100 samples amounting to P17.103 million. The payments were based on an incomplete and unreliable records of the System contrary to paragraphs 4.46 and 4.49 of the Conceptual Framework for Financial Reporting, Section 4 of P.D. No. 361, as amended by P.D. No. 1656, System's Standard Operating Procedure Nos. 11-92 and MAG-96-05-001 dated February 25, 1992 and April 22, 1996, respectively, and AFPRSBS' Board of Trustees (BOT) Meeting No. 8 dated November 4, 2010. We recommended that Management:	
a. Provide proof of collection on the remittance of P2.659 million by AFP to the System to ensure the correctness of the refund made to the members or their authorized representative, as the case may be;	Not implemented
b. Recover the excess refund of MCs and the interest paid from concerned members or AFP;	Not implemented
c. Accrue interest on all of its MC at the time it has been received/collected;	Not implemented

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
d. Henceforth, ensure the propriety of the amount to be refunded to members at all times; and e. We further recommend that Management compute for the right refund of MC, inclusive of interest.	Fully implemented Reconsidered The tenor of the recommendation is the same with recommendation 5.d hereof.
6. Only P40.50 million or 15.30 per cent of the total PE amounting to P265 million were insured with the Government Service Insurance System (GSIS), contrary to Section 5 of Republic Act (R.A.) No. 656, thus, exposing the System to great losses in case of fire, earthquake, storm and the incurrence of other casualty. We recommended that Management insure all the System's property and equipment with GSIS pursuant to R.A. No. 656.	Fully implemented
7. Transfer Certificates of Title (TCTs) of various assets recorded under the Investment in Real Estate and Acquired Assets accounts in the total amount of P6.885 billion were not yet consolidated in the name of the System, thus, the interests over these assets are at risk for fraud, dispute and encroachment by trespass in the boundaries. Moreover, in view of the issuance of Memorandum Order (M.O.) No. 90, s. 2016 directing the sale of its real estate assets in line with its winding down activities, the System may not be able to sell or may delay the sale of its real estate assets without TCTs. We reiterated our previous recommendation that Management require the concerned department/division to expedite the process of consolidating the titles in favor of the System to safeguard its ownership and facilitate its easy disposal in pursuance to the winding down activities.	Partially implemented Reiterated in Observation No. 2, Part II of this Report.
8. Eighteen contracts amounting to P30.723 million entered into by the System with various suppliers and service	

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
providers were submitted to the Auditor beyond the reglementary period, contrary to Section 39 of P.D. No. 1445 and the pertinent COA rules and regulations. We recommended that Management require the officials concerned to comply strictly with the provisions of COA Circular No. 2009-001 for the prompt submission of contracts and their supporting documents so that the auditorial, legal and technical reviews can be conducted timely. Otherwise the officials and employees concerned who failed to comply the said directive shall be subject to administrative disciplinary action provided in (a) Section 127 of P.D. No. 1445; (b) Section 55, Title I-B, Book V of the Revised Administrative Code of 1987; and (c) Section 11 of R.A. No. 6713.	 Reconsidered The audit engagement entered with the System is audit team approach.
9. Relevant provisions of the Revised Implementing Rules and Regulations (RIRR) of R.A. No. 9184 were not complied for five reviewed contracts amounting to P9.272 million, thus the procurement timelines were not observed. We recommended that Management strictly comply with the pertinent provisions embodied in RIRR of R.A. No. 9184, except with the timelines provided for in the Annex C thereof.	 Partially implemented For CY 2018, the System substantially complied with the provisions embodied in RIRR of R.A. No. 9184 except for Section 25.3 (c), Section 37.1.6 and Section 37.3.
10. Lease contracts with 14 lessees of the Industrial Park Management Office (IPMO) and Southern Utility Management and Services, Inc. (SUMSI) are not renewed contrary to Article 1403 of R.A. No. 386 and COA Circular No. 88-282A, thus, prejudicial to the interest of the System. We recommended that Management: a. Execute a duly signed and notarized lease contract before turning over the property to a lessee in compliance with Article 1403 of R.A. No. 386 and COA	 Fully implemented

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
Circular No. 88-282A; b. Ensure that for renewals of lease contracts, a new contract should be executed by the System either with the existing lessee or a new tenant prior to the expiration of the lease term with the former; and c. Strictly monitor the observance and implementation of the stipulations in the lease contracts for the benefit of the System.	 Fully implemented Fully implemented
11. The System's limited working capital of P563 million may result in its inability to refund in lump sum the total contributions including earned interest to the officer or enlisted personnel upon separation or retirement from military service under Section 4 of P.D. No. 361 as amended by P.D. Nos. 1656 and 1909 or upon liquidation of the System due to the issuance of M.O. No. 90 dated April 8, 2016 whichever comes first, since the related accumulated members' contributions payable as at December 31, 2017 amounts to P10.244 billion. We reiterated our previous recommendation that Management continuously work towards conversion of the majority of the investments in real estate, acquired assets into cash and investments in government marketable securities which are easily convertible to cash. Likewise, pursue collections of all indebtedness due to the System so that it can return to the soldiers/members their contributions upon liquidation of the System or upon retirement/separation whichever comes first. Aforesaid considered, we further recommended that Management hasten the sale or divestment of the remaining equity shares and real estate properties to expedite the liquidation process in fulfillment of M.O. No. 90.	Partially implemented The System was able to raise an additional P6.396 billion from the sale of major assets in April 2018. As of December 31, 2018, the total investments of the System, both short-term and long-term amounted to P11.535 billion; hence, the System will only need to raise an additional P1.314 billion to fully refund the remaining P12.849 billion contributions to the soldiers. Partially implemented The System also planned for the disposal of some of its major assets (real estate and equity investments) in 2019. The proceeds from the disposal will be used to fund the remaining obligation to the soldiers.

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
12. The System did not exercise due diligence and did not consider the limitations on the right of property ownership established by law in the acquisition of various real estate and assets as evidenced in the existence of various vast assets that remained idle and where no income were produced therefrom, thereby increasing the risk of losing its properties and monetary burden which is disadvantageous to the government and is repugnant with the mandate of Section 2 of P.D. No. 1445. We reiterated our previous year's recommendation that Management:	
a. Implement and take necessary precautions and programs to secure, preserve and enhance the value of acquired assets and prevent the rapid deterioration of the Acquired Asset and Investments in real estate properties;	Partially implemented The System is currently conducting appraisal of the various real estate properties and acquired assets to determine the optimal values of the assets prior to disposal. Maintenance activities are being done to preserve and enhance the value of the assets.
b. Continue to initiate public bidding of the System's property in pursuance to M.O. No. 90; and	Partially implemented In 2018, the System conducted eight public biddings for the sale of nine Real Estate properties and one of its subsidiaries.
c. Resolve the legal and documentation issues relative to Investments in real estate accounts to protect the rights and ownership of the System over the subject properties.	Partially implemented On-going cases (ejectment, consolidation of titles, etc.) pending resolution involving legal and documentation issues relative to Investments in real estate accounts are in place.
13. The System has not prepared the annual Gender and Development (GAD) Plan and Budget (GPB) and GAD Accomplishment Report (GAR) for CY 2017. Likewise, GAD concerns were not incorporated in the System's Revenue, Expense, Capital Outlay and Cash Flow Budget (Corporate Operating Budget) as	

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
required by Executive Order (E.O.) No. 273 dated September 8, 1995 and Joint Circular No. 2012-01 of PCW-NEDA-DBM. Thus, the gender issues and needs within the System were not identified and met.	
We recommended that Management strictly comply with the requirements set forth under Joint Circular No. 2012-1 and include GAD concerns in the System's Revenue, Expense, Capital Outlay and Cash Flow Budget (Corporate Operate Budget) of at least five per cent of total agency appropriation.	Fully implemented
2016	
14. The negative/abnormal items in some schedules, the unposted balances to individual ledger of borrowers and several accounts with no schedules totalling to P7.834 billion, cast doubt on the reliability and accuracy of the respective accounts contrary to the Philippine Conceptual Framework for Financial Reporting.	
We recommended that Management:	
a. Include in the schedule of Investment in real estate controlling account of the AD the number of lots available for sale in square meters to support the balances booked under Investment in real estate and facilitate the reconciliation of the inventory list available for sale reported with Property Management and Enhancement Department (PMED) or Accounts Management Department (AMD) and at the same time come up with an updated COS;	Fully implemented
b. Prioritize the preparation of SL schedules and aging for all accounts and reconcile the schedules and the balances of the accounts to come up with correct and reliable account balances;	Partially implemented Continuous efforts are being done in order to reconcile the remaining Installment Contract Receivable (ICR) accounts.
c. Identify the cause of the negative/abnormal items in the SL	Partially implemented

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
including a review and analysis of the validity of the items; and	Reiterated in Observation No. 2, Part II of this Report.
d. Make the necessary adjustments for fair presentation of the accounts in the financial statements.	Fully implemented
15. In spite of the approval of the abolition of the System issued under M.O. No. 90, there is a delay in the liquidation of the System in view of the absence of the approved Plan of Liquidation by all members of the Technical Working Group (TWG), contrary to the provision of Section 4.6 (f) of GCG Memorandum Circular No. 2015-03 and COA Circular No. 92-375. Thus, the objective of winding down for the period of three years may not be achieved. We recommended that Management:	
a. Continuously coordinate with the TWG to facilitate the abolition of the System and adhere to existing guidelines in the closing and transfer of books of accounts; and	Partially implemented Based on the communication with GCG provided to COA, it showed that Management continuously coordinates with them regarding the winding down plan in order to commence the implementation of M.O. No. 90, s. 2016. However, the Governance Commission, as an interim measure, shall only allow selling selected assets that, in its evaluation, can be readily disposed despite deviating from the proposed timeline as stated in the Winding Down Plan.
b. Make representation with the TWG constituted to take charge in the abolition of the System.	Reconsidered It was expressly provided under Section 5 of M.O. No. 90, s. 2016 that AFPRSBS management is part of the TWG that will be assisting the GCG in implementing the liquidation process of the System.
16. OGCC lawyers were paid Representation and Transportation Allowance in the total amount of P876,000 in the guise of fixed monthly compensation/out-of-pocket expenses	

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
contrary to Item No. 4 of National Compensation Circular (NCC) No. 67 dated January 1, 1992, thus, considered irregular expenditures under COA Circular 2012-003. Nine of these lawyers were paid allowances even if they were not assigned/designated to perform additional or special tasks in the System contrary to Section 6 of E.O. No. 878. We recommended that Management require the concerned OGCC lawyers who are receiving representation and travel allowance from the System to refund the amount of P876,000 corresponding to an additional compensation.	Not implemented For issuance of Notice of Disallowance.
17. The development of a 571,479 sq. m lot to a Residential Subdivision project was not completed in accordance with the Joint Venture Agreement (JVA), although the shares in the property were already titled in the name of the Developer. The abrogation of JVA as approved by the BOT was not implemented, thus, the property remains undeveloped and idle, which may adversely affect the sale of all the System's real estate in line with its winding down activities. We recommended that Management implement the abrogation of the JVA as approved by the BOT or consider filing an action for damages against the Developer for breach of contract.	Partially implemented The System already initiated the unilateral abrogation of the JVA and is waiting for JV partner's conforme to abrogation.
18. Lapses in the maintenance and management of properties expose the System to risk of loss and incurrence of additional monetary burden. We recommended that Management resolve the legal and documentation issues relative to Investment in Real Estate accounts to protect the rights and ownership of the System over the subject property.	Reconsidered The same with Item 12.c hereof.

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
2015 19. 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 SLs maintained at the IFMS. The absence of reliable members' individual SLs will not facilitate the return of the payment of the member's claim upon implementation of E.O. Nos. 590 and 590-A and M.O. No. 90.	
We recommended that Management update and reconcile the SLs of the IFMS with the books of accounts maintained by the AD in preparation for the transfer of the records of MCs to the government financial institutions (GFI) Trustee in accordance with E.O. Nos. 590 and 590-A, as amended by M.O. No. 90.	Partially implemented Reiterated in Observation No. 1, Part II of this Report.
20. The presentation and measurement of ICR are not in accordance with the pertinent provisions of PAS and PFRS. The System has not maintained an updated Subsidiary Buyers' Ledger (SBLs) contrary to Section 114 (2) of P.D. 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 copies of SBLs as said documents are useful in determining the outstanding receivable balance of buyers for Management and government regulatory agencies' requirements/use;	Fully implemented
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 P.D. No. 1445;	Partially implemented Continuous updating of the accounts is being done to determine proper classification/status of accounts.

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
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;	Not implemented
d. Accrue regularly any interest and penalty income already earned on the accounts; and	Partially implemented Accrual of interest and penalty income earned for accounts that are being maintained in the Legacy System are being adjusted monthly in the books.
e. Install procedures to ensure that the SBLs/accounts are verified, discrepancy resolved and the same removed in ICR general control account before the release of the TCTs are authorized.	Partially implemented Reiterated in Observation No. 3, Part II of this Report.
21. A JV partner has unremitted collections and/or unreported sales cancellations amounting to P74.560 million under a JVA. The recorded balance of ICR-Past Due and Retained Earnings was understated by P20.702 million as at December 31, 2015. We recommended that Management:	
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;	Partially implemented The System has partially reconciled the recorded balance of ICR-Past Due account of the subject ICR project. The outstanding ICRs that were determined are still for validation by the JV Accountant.
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;	Partially implemented The System already has most of the passbooks/bank statements of the JV bank accounts. The JV Accountant is reconciling the cash movements with the collections and disbursements of the JV office.
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	Partially implemented Out of the P74.560 million alleged unremitted collection, a total of P38.500

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
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;	million pertains to the cancelled, fully paid and partially paid accounts. These were not previously adjusted in the books due to absence of the buyer's individual SL reflecting the payments made and the status of each account. The System will demand for the collection/remittance of the final amount of receivables from the JV Partner based on the final result of the reconciliation of the account.
d. Ensure thereafter the effective monitoring of the remaining accounts and the timely remittance and reporting by the JV partner of amounts due to the AFPRSBS; and	Partially implemented The Joint Venture hired a JV Accountant who is now monitoring the transactions of the JV office. The Accountant is based in RSBS and is being supervised by the AMD.
e. Institute proper legal action against the JV partner should it withhold the requested documents without legal and reasonable grounds.	Partially implemented The JV Accountant is already in possession of some of the needed documents. Continuous coordination is being made with the JV partner to secure other documents needed.
22. 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 COA contrary to Sections 4 and 26 of P.D. 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 The appeal by the System was granted, however, the case is still pending in view of the Motion for Reconsideration (MR) filed by the adverse party. Hence, the case is still awaiting further resolution/disposition of the Honorable Court of Appeals with regard to the MR filed.

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
2014 23. The BIR Registration of AFPRSBS did not include registration under the value-added tax (VAT) system, relative to the lease by AFPRSBS of its properties, contrary to pertinent provisions of R.A. No. 8424 or the Tax Reform Act of 1997, as amended by R.A. No. 9337 and Revenue Regulation (R.R.) 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 register under the VAT system to comply with pertinent provisions of R.A. No. 8424 or present proof as to the VAT-exemption of the System, i.e. submission of VAT Exemption Certificate (VEC) from the BIR.	Not implemented
24. Deposits or Advances to MERALCO for the installation of new lines and/or additional facilities totalling to 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.	Partially implemented Reconciliation of the advances made to MERALCO is continuously being done. In November 2018, AFPRSBS officers was given authority by the BOL to sign documents pertaining to the refund of advances by the System to MERALCO for the installation of electric posts at the Riviera Residential Estates, Villa Segovia Estates and Villa De Toledo Subdivision Projects.
b. Demand payment of refunds for those the System is entitled to and update the accounts for any offsets made.	Partially implemented Based on the agreement with

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
	MERALCO, the System will be refunded with the deposits out of the 75 per cent collections from those who will be connected to the MERALCO lines. Thus, refunds will be made on installment basis and as MERALCO collects from the residential owners.
2013 25. 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 transfer its funds from the current depository private commercial banks to government banks.	Partially implemented The remaining accounts with two private banks were not immediately closed due to certain operational requirements, such as inter-branch remittance for buyers' installment payment of the Iloilo project and inter-branch encashment of refund checks of members. The Management agreed that they will immediately transfer the remittances to government bank and maintain only the required minimum balance with the private bank. The System opted to maintain its account with another financial institution due to the higher interest of its deposits.
26. 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 SLs of the different	

OBSERVATIONS	ACTIONS TAKEN/COMMENTS
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 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 on hand.	Partially implemented Continuous efforts are being done in order to establish the correct account balances of the affected accounts.
2012 27. Memorandum Receipts, 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 register its vehicles as government property for issuance of red plates and mark "For official use only".	Reconsidered The System did not pursue the registration of the vehicles as government property since RSBS is already in its liquidation stage. The System, however, ensures that the vehicles are regularly insured with GSIS.