

TOURISM PROMOTIONS BOARD

4/F Legaspi Towers 300
Roxas Boulevard, Manila
(Name of Agency and Address)

AGENCY ACTION PLAN and STATUS OF IMPLEMENTATION

Audit Observations and Recommendations

For Calendar Year 20 14

As of 26 October 2015

Ref	Audit Observation	Audit Recommendation	Agency Action Plan		Target Implementation Date		Status of Implementation	Reason for Partial/Delay/Non-Implementation, If applicable	Action Taken/Action to be taken
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1. 2014 AAR Observation No. 1 Pages 17-26	1. Advertising contracts not subjected to public bidding and was renewed & extended in the amount more than the original contract. The procurement of Advertising Services Contract , its amendment, renewal and extension in the total amount of P1.2 billion entered into by and among the Department of Tourism (DOT), Tourism Promotions Board (TPB) and the Advertising Consultant (AC) to undertake the production of creative materials necessary for	Management submit justification why the payments to the AC did not comply with various provisions of law and other deficiencies, as follows;	The principal contract is an acknowledged <u>to be implemented in several phases or stages depending on the supplier's performance and subject to the availability of funds.</u> To do the procurement of an advertising services of the current campaign magnitude will not redound to the best interest of the government in terms of the judicious use of public funds and will violate industry practice and	Marketing Communications Department					

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	the media plan for use in the "It's More Fun in the Philippines", was not in accordance with various provisions of Republic Act (RA) No. 9184.		standards. As we pointed in our submission to our letters dated 05 December 2014 and 16 July 2015, a global campaign needs to be a multi-year engagement to be effective and cost efficient. The multi-year arrangement will allow the Philippines , as an account to generate media savings, which can be further used to heighten the campaign's effectiveness.						

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			To have an annual contract with global media buying agency like DPI whereby global media planning and buying will only be done for a year and thereafter be without global media placements while waiting for a procurement process for a new contract to be completed, would have been grossly prejudicial, detrimental, and disadvantageous to the best interest of both the country and government.						

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			As a result of a multi-year engagement of DPI, we generated a total media savings of P534,365,523.96 considering that the DOT and TPB only spent P1,113,682,375.97 for a total media value of P1,648,047,899.93. With all due respect to the observation by the Commission, the multi-year approach to the DPI contract was not meant to circumvent the provision of RA 9184 and its IRR, but was solely intended to preserve and protect					

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			the investment and best interest of the country and the government within the legal framework of the Procurement Law. <u>As regards to the approved budget of the contract , we wish to stress that the TPB fully complied with the OGCC's opinion 157, s. 2013 within the total consideration to its renewal or extension will not exceed the monthly ABC of P99,975,000.00 and will be consistent</u>					

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			with the approve COB; and that the 2% professional fee should already be included in the contract's consideration.					

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		Management submit justifications why the payments to the AC did not comply with various provisions of law and other deficiencies, as follows: a. Section 7.2 of RA 9184 on the Annual Procurement Plan;	To place in context the reason why we submitted the DOT Supplemental APP for 2012, it was the Department of Tourism (DOT) thru its Special Bids and Awards Committee (SBAC), and not the TPB, that conducted the public bidding in 2012 for a global media planning and placement agency that will provide the most ideal plan to implement the tourism branding campaign- "It's More Fun in the Philippines". To reiterate, the TPB did					

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			not have a validly constituted Board of Directors, at that time, <u>considering that</u> as the nominees for the same were still pending with the GCG and the Office of the President for issuance of the appropriate Presidential appointments. As to the posting of the APP, the TPB reiterates that it was published in the TPB website in 2013. For your reference, please find attached herewith the posting of the APP in the TPB's website.						

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			The APP for 2013 includes the “Tri-Media/New Campaign (DPI)”which is reflected in the beginning from November 2012 to December 2013 in the amount of P1,000,000,000.00. With this reference in the 2013 APP, it is <u>respectfully submitted that</u> there is no further procurement process to be undertaken as the same is an extension of validly existing contract, which is the result of a competitive public					

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			bidding process undertaken in 2012. Further, we wish to reiterate that these submissions are contained in the annually approved Corporate Operating Budgets for FYs 2013 and 2014, which acknowledged the DPI contract to implement the It's More Fun in the Philippines,"tourism-branding campaign in several phase/stages- that began in 2012. <u>While the TPB admits that APP has not been posted in the GPPB website, we</u>					

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			would like to respectfully note that this inadvertence could be attributed to the fact that during that time, the TPB was undergoing reorganization and was adjusting to its operational requirements, TPB had no intention to conceal the project to the public as evidenced of the fact that this has been published in the TPB's website and in a newspaper of general circulation. Rest assured that henceforth, the TPB will publish its APP in the GPPB website as					

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			<u>you have duly noted.</u>						
		b. Section 30.1 of the IRR of RA 9184 on the disqualification of a bidder based on the non-discretionary "Pass/Fail" criterion;	With respect to the observations made by the Resident Auditor on this matter, we beg to differ. It is our <u>humble</u> position that Sections 55.4 and 55.6 of the Implementing Rules and Regulations (IRR) of RA 9184 are not applicable at the case at hand. The said sections refer to						

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			acquired procedures in cases where there is already a denial of the "letter of reconsideration" or prior request for reconsideration. It is important to consider that the letter filed by DPI was the first and only letter submitted to the SBAC requesting for reconsideration because of DPI's failure to submit its Audited Financial Statements and latest Income Tax Return. In this regard, we <u>respectfully</u> submit that, instead of					

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			Section 55.4 and 55.6, Sections 55.1 and 55.2 of the IRR of 9184 should be made to apply, to wit: 55.1. Decision of the BAc at any stage of the procurement process may be questioned by filing <u>a request for reconsideration</u> within the three (3) calendar days upon receipt of a written notice or upon verbal notification. The BAC shall decide on the request for reconsideration within seven (7)					

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			days from receipt thereof. If a failed bidder signifies his intent to file a request for reconsideration, the BAC shall keep the bid envelopes of the said failed bidder unopened and/or duly sealed until such time that the request for reconsideration has been resolved. 55.2. <u>In the event that the request for reconsideration is denied, decisions of the BAC may be protested in writing to the Head of the</u>						

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			<u>Procuring Entity:</u> Provided, however, That a prior request for reconsideration should have been filed by the party concerned in accordance with the preceding Section, and the same has been resolved.					
			The filing of the letter of reconsideration by DPI therefore is in accordance with <u>rules, consistent with the GPPB opinion, provided as follows:</u>					

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			If a xxx bidder desires to contest the BAC's decision at any stage of the procurement process, Section 55.1 of the Revised IRR of the RA 9184 provides that said bidder should file a request for reconsideration within three (3) calendar days upon receipt of written notice or verbal notification. If the same is denied, the bidder must file a protest in the form of a verified position paper with the Head of the Procuring Entity (HOPE) within seven (7) calendar days from receipt of					

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			the BAC's denial of the request for reconsideration. In the event that such protest is filed, the same shall not stay or delay the bidding process, but the protest should be first resolved before any award can be made.						
		c. Section 21 of the General Provisions of Ra 10155 or the 2012 General Appropriations Act and DBM Letter No. 2014-12 dated October 27, 2004 which provides that no Agency shall enter into a multi-year contract without securing a Multi-year	We reiterate our submission on this matter. TPB Management also believes that, there is no need to secure a MYOA since the funds required for the project is already provided for						

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		Obligational Authority (MYOA);	in the regular annual appropriations of the TPB for the year 2012, as evidenced by the fact that, in Statement of Allotment Release Order (SARO) No. F-12-01425, the appropriation source for the subsidy of the TPB for the "Tourism Media Advertising Campaign of the Department of Tourism" was identified as R.A. No. 10155 or the General Appropriations Act of 2012, and the program code for the release of the national government subsidy is classified						

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			as "programmed" and not "unprogrammed". <u>The funds to support the same were further approved by the Board of Directors in its Corporate Budgets for 2013 and 2014.</u> They were also previous discussions with the Government Procurement Policy Board (GPPB) on this matter. They were of the opinion that there was no need to secure a MYOA and this has been duly recognized by the GPPB.						

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			We also wish to highlight that a MYOA is needed for a multi-year projects which by law is defined programs, or projects that will take more than one year to complete. The DOT/TPB reiterates that the Advertising Contract of DPI is NOT a multi-year project, hence, A MYOA IS not required. The spirit of a MYOA requirement is for the government, through the DBM, to authorize agencies to enter into a multi-					

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			year contracts, whether locally funded or foreign assisted projects, to ensure that there will be available funds for the completion of a project that needs to be completed for more than one year. Essentially, the government guarantees that the project will be implemented in a number of years, without the need of doing any additional act to continue the project one year after the other. Thus, it does not cover situations wherein the concerned					

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			<u>government agency enters into a contract for suppliers that will be subject to performance and availability of funds.</u> <u>As a matter of fact, government agencies enter into Janitorial and Security contracts for several years without need of a MYOA since the renewal of these suppliers are based on their performance and available funds of the agency concerned. In the same light, the advertising contract of DPI is akin to a service contract that</u>					

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			can only be renewed based _____ on government's assessment of their performance and depending on the available funds for their services. Unlike regular multi-year projects _____ which requires multi-year appropriations the Advertising Contract of DPI is a single contract that can be renewed if certain requirements _____ or conditions are met. The _____ Advertising Contract of DPI is a single contract that was _____ renewed through _____ several						

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			<u>phases depending on the assessment of the performance of the agency and subject to availability of funds, There was no guarantee on the part of the DOT/TPB to give DPI the succeeding phases of the campaign if their performance was not satisfactory and if there were no available funds.</u> <u>We respectfully submit that a MYOA is needed only for projects that will be implemented for more than one year by the same supplier, where the</u>						

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			<u>government guarantees appropriation on a multi-year basis.</u> <u>Notwithstanding the foregoing, TPB would like to reiterate that the DBM was fully aware, as early as October 2012, that the contract is intended to cover the implementation of FY 2012 to 2014, subject to favorable assessment and availability of funds by virtue of the Secretary of Tourism's memorandum to the Secretary of the DBM, which became</u>					

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			the basis for the issuance of the Notice of Cash Allotment (NCA) by the DBM of the requested amount of Five Hundred Million Pesos (P500M). For all intents and purposes, if there was a need to secure MYOA, we respectfully submit that this is already substantial compliance with the obligation of the DOT and TPB to inform the DBM that the contract is a multi-year campaign/program.						

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			<u>This is further validated by the fact that, in subsequent notices issued by the DBM, there is a clear validation that the same is a multi-year campaign/ program. Had it been required, the DBM would have not issued nor released the NCA and SARO for this project.</u> Further, it may be argued that given the corporate character of the TPB, it is the Board of Directors that gives the authority to enter into such obligation through the adoption of the Corporate					

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			Operating Budget (COB) on an annual basis. Section 50 of RA 9593 is clear on the matter, to wit: <u>SECTION 50. Power and Functions of the Tourism Promotions Board – TPB shall have all the general powers of a corporation provided under the Corporation Code. Furthermore, it shall have the following powers and functions:</u> (a) <u>Organize the TPB in a manner most efficient and economical</u>					

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			for the conduct of its business and the implementation of its mandate; (b) Develop and implement a plan to market the Philippines as premier tourist destination; (c) Direct and coordinate the resources and efforts of the government and the private sector in the tourism and allied fields for the full						

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			<u>realization of the tourism plans and programs;</u> (d) <u>Develop and promote the Philippines as a center for international meetings, incentives, conventions, exhibitions, sports, medical tourism and other special events;</u> (e) <u>Engage in the business of tourism and perform acts in consonance</u>					

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			<u>therewith such as, but not limited to attending conventions and other events abroad in representation of the country, encouraging sales promotions and advertising, and implementing programs and projects with the objective of promoting the country and enticing tourist to visit its tourism destinations</u>						

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			<u>and to enjoy its tourism products;</u> (f) <u>Contract loans, indebtedness and credit, and issue commercial papers and bonds, in any local or convertible foreign currency from international financial institutions, foreign government entities, and local and foreign private commercial</u>					

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			<u>banks or similar institutions under terms and conditions prescribed by law, rules and regulations;</u> (g) <u>Execute any deed _____ of guarantee, mortgage, pledge, trust or assignment of any property for the purpose of financing the programs and projects deemed vital for the early attainment of its goals and objectives,</u>						

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			<u>subject to the provisions of the Constitution (Article VII, Section 20 and Article XII, Section2, paragraphs (4) and (5);</u> (h) <u>Receive donations, grants, bequests and assistance of all kinds from local and foreign governments and private sectors and utilize the same;</u>					

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			(i) <u>Extend loans through government banks and financial institutions, provide grants and other forms of financial assistance for manpower training, heritage preservation, infrastructure development and other programs of the Department.</u> (j) <u>Obtain the services of local and foreign consultants,</u>						

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			<u>and enter into contracts locally and abroad in the performance of its functions; and</u> (k) <u>Perform all other powers and functions of a corporation.</u> <u>This corporate character of government owned and controlled corporations to approve and enter into obligations is respected by the DBM itself in its Circular No. 2015-7 or the “Updated</u>						

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			<u>Guidelines on Multi-Year Obligational Authority.” Under the said circular dated 3 June 205, the responsibility to secure a MYOA is limited in coverage to only the following, to wit:</u> <u>Section 2.</u> <u>This circular covers all multi-year programs, activities and projects being implemented by National Government Agencies, Constitutional Offices and SUCs. This shall also include multi-year contracts, lease</u>						

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			<u>and lease purchase agreements under the Revised Armed Forces of the Philippines Modernization Program (AFPMP), R.A. No. 10349.</u> <u>The exclusion of the Government Owned and Controlled Corporations from such coverage of the DBM clearly recognizes the corporate character of the same.</u>						
		d. Subsection 4 of Section 53 of RA 9184;	The budget allocated and appropriated are within the Approved						

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			Budget of the Contract (ABC) and that the two per cent professional fees are already included in the consideration. TPB ensured that the Extended Contract incorporated the OGCC's Opinion 157,s. 2013 wherein the total consideration for each renewal and extension will not exceed the ABC and will be consistent with approval COB; and that the two per cent professional fee should already be included in the contract's consideration.						

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			The subsequent allotments for the implementation of the media plan is already provided for as well as well in the COB of the TPB for the year 2013 as approved by the Board of Directors, and was also provided for the year 2014.						
		e. The implementation of the Renewal of Advertising Services Contract (RASC) prior to the Amendment to Advertising Services Contract (AASC), without available budget and the funds were received in a much later date; and	When the public bidding process was conducted by the Department of Tourism in 2012, there were already funds available from the General Appropriations Act (GAA) of 2012. As						

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			stated in our letter dated 05 December 2014, the funds for the implementation of the principal contract amounting to Two Hundred Thousand Million Pesos (P200,000,000.00) were sourced out from the DOT's International Tourism Promotions (DOT-ITP) program budget allocation under 2012 GAA. There was for all intents and purposes the amount of One Hundred Ninety Nine Million and Nine Hundred Fifty Pesos (P199,950,000.00) at						

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			the time the bidding process was initiated. This was certified through the Certificate of Availability of Funds dated 8 October 2012, Issued by the DOT Chief Accountant, as indicated in the principal contract dated 12 October 2012.						
		f. The ratification of the TPB Board of Directors only on June 19, 2014 or after TPB had entered into Advertising Services Contract , with the AC and its renewal, amendments and extension.	We wish to clarify that based on TPB records, for FY 2012, there were only two dates that TPB paid honoraria to its Board of Directors, including ex-officio members, i.e. 26						

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			September 2012 and 20 November 2012. We maintain our position that all the time the principal contract was publicly bidden out, that TPB Board of Directors has not yet been constituted. We are submitting the copies of the appointment papers and oath of offices of the Board of Directors to settle and support our position on the matter. We trust that we have responded accordingly raised by						

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			the Resident and reiterate our respectful request and pray for the lifting of the Notice of Suspension dated 25 September 2014 in light of the TPB's complete submission of the documents required by the COA.						
		g. The amount of the Advertising Contract was P199.5 million inclusive of VAT less applicable withholding tax covering the period October 2012 to December 2012 but the amount requested was for P500 million hence an excess of P300.5 million.	We wish to enlighten the Commission that the subject amount of P500 million, as requested by the Secretary of Tourism and Chairperson of the Board to the Secretary of DBM in letters dated 10 September 2012 and 03 October 2012 are						

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			intended to supplement only the existing amount of P199.5 million.						

TOURISM PROMOTIONS BOARD

4/F Legaspi Towers 300
Roxas Boulevard, Manila
(Name of Agency and Address)

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2. 2014 AAR Observation No. 2, Pages 26-29	Prior year's cash advances amounting to P17.07 million and those granted in CY 2014 in the amount of P132.431 million were not liquidated in accordance with COA Circular No. 97-002 dated February 10, 1997, thus, understating the Promotional and Advertising Expenses account with overstating the reported Income and Cash Advance account balances.	a. Philippine Department of Tourism (PDOT) Attaches and other Accountable Officers (AOs) to strictly adhere to the pertinent provisions of COA Circular No. 97-002 dated February 10, 1997 regarding the granting, utilization and liquidation of cash advances and require those with outstanding cash advances to immediately liquidate their long outstanding cash advances; b.Cause or order the withholding of the payment of any money value due to the AOs concerned to immediately liquidate their long outstanding cash advances;	Please be informed that the Management regularly send notices to the accountable officers to remind them to submit their liquidation reports within the prescribed period. Likewise, Management continues to enforce the withholding of salary and other remunerations of TPB accountable officers with long outstanding cash advances.	Finance Department Accounting Division Office of the Deputy for Corporate Affairs Office of the COO	January 2015	onwards – December 2015	Ongoing		

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		c. Stop granting additional cash advances to those with outstanding cash advances and ensure that all cash advances are liquidated within the required due dates, in accordance with COA Circular No. 97-002; d. Exhaust all means to collect the outstanding cash advances from resigned/transferred/retired officials and/or offset balances against any claims due them; and e. Accountant to strictly monitor the granting and liquidation of cash advances.	We strictly observe COA Circular No. 97-002 of not granting additional cash advance unless the previous cash advance is liquidated. Please be further advised that we also sent communications/ memorandum to the Phil. Department of Tourism (PDOT) Attaches, Administrative Officers, Market Representatives, including the recalled, resigned, retired and transferred officers, requiring them to submit their liquidation reports for their outstanding cash advances. Verifications were made had there been						

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			a turnover of funds to the incoming officer which shall serve as the basis of adjustment in the books for the transfer of accountability. Todate, prior years unliquidated cash advances totaling P17.07 million as of December 2014 have been reduced to P15,108,515.72 as of September 30, 2015. Cash advances granted in CY 2014 in the amount of P132.431 million have been reduced to P85,000,698.83 as of September 30, 2015. We endeavor to coordinate with DOT concerned officials to meet and discuss with them to come up with a						

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			Memorandum of Agreement (MOA) for the following: - The fund remittances being made to TPB to PDOT Overseas Offices - the implementation of various tourism projects - the responsibility of the Tourism Attaches, Market representatives /Administrative officers as accountable officers for the TPB funds. Once there is a MOA between DOT and TPB, an Office Order shall be issued to the Tourism Attaches,						

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			Market Representatives designating them as Special Disbursing Officer and custodian of TPB funds that are remitted to them and shall be responsible in the submission of liquidation reports.						
3. 2014 AAR Observation No. 3, Pages 29-31	The recorded balance of Property Plant and Equipment (PPE) amounting to P49.284 million was overstated by P10 million while Advances to Contractor was understated by P0.712 million due to the recognition of the budgeted amount for Buildings, although the construction/rehabilitation of office spaces are still in progress . Balances of PPE between Accounting and Property Records showed a variance of P9.569 million.	a.The Accounting Division and Property Division to maintain PPELCs and PCs, respectively, as prescribed under the Manual on NGAS and facilitate the reconciliation and adjustment of discrepancies, viz: ●prepare the necessary adjustment to the building and Advances to Contractors accounts. Record the Building account only upon completion of percentage of	Please be advised that the necessary adjustments for the Property Plant and Equipment account have been made per JEV(GJ) No. 09-2015-053dated September 30, 2015 for the reconciliation as follows: Please see Attachment 1 The P2.725 million difference in the building account represents the cost of electrical wiring and installation of	Accounting Division Property Unit	January 2015	December 2015	Partially Implemented		

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		completion of the project. ●reconcile the discrepancies in the additions and disposals of furniture and office equipment during the year b. Inventory Committee to complete the physical inventory of PPE to determine and confirm its physical existence and condition.	TPB offices that was undertaken in 2008. The Accounting Unit do maintain a Property, Plant and Equipment Ledger Card (PPELC) that was started in 2004. We have required the Inventory Committee to complete all the physical inventory of the Property, Plant and Equipment for CY 2014 for its existence and condition. We will form a Committee on Disposal to prepare a record of equipment, vehicles & furniture which are for disposal.						

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4. 2014 AAR Observation No. 4 Pages 31-32	TPB released the amount of P7.5 million to a Foundation as sponsorship to the racecar touring series for media and promotional values. The Project which was the Asian V8 Speed Challenge at Clark Speedway in Pampanga, however, did not materialize but the funds were not returned to TPB, contrary to COA Circular No. 2007-001 dated October 25, 2007.	That Management demand the immediate liquidation /settlement of the P7.5 million released to the Foundation and strictly comply with COA Circular No. 2007-001 dated October 25, 2001.	Please be advised that an appeal to the Notice of Disallowance issued to accountable officers on March 23, 2015 in the amount of P7.5 million was filed with COA considering that Management has been coordinating and following up with the Philippine Formula Auto Sport Foundation Inc. the retrieval/return of said sponsorship.	Accountable Officers mentioned in the Notice of Disallowance	January 2015	onwards	Ongoing		
5. 2014 AAR Observation No. 5 Pages 32-33	The peso equivalent of dollar collections was not taken up in the cashbook as required under the Philippine Public Sector Accounting Standards (PPSAS) 4 on foreign exchange transactions resulting in error in the recognition of foreign exchange differential.	a. That Management to comply with Paragraph 24 of PPSAS 4 in the recording of foreign currency collections. Communicate with the Accounting unit as to the exchange rate to be used daily;	Please be advised that the Cashier Unit has started implementing your recommendations in the recording of foreign currency collections and being followed through by the Accounting Division.	Cashier Accounting Division	August 2015	Onwards	Fully Implemented		

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	Furthermore, the balances of the cashbook for reconciliation with the accounting records were not readily available.	b. The AO/Cashier to record separately the peso with the dollar collections and properly maintain the cashbook/CRR/CkD R and such other records or their equivalents as may be prescribed by the agency's operating procedures; c. Reconciliation of peso and foreign currency balances between the AO/Cashier and the Accountant at least quarterly; and d. The Accountant to record the total collections for the day based on the cashbook/CRDR instead of recording again in detail all collections in the accounting books to avoid duplication of work.							

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6. 2014 AAR Observation s No. 6 Pages 33-34	Collections through banks were included in the cashbook as part of collections for the day which is not in accordance with accounting for cash accountabilities of cash collecting officers as this inclusion im properly increased the cash accountabilities of the Cashier.	The Cashier to record in another register and not in the cashbook the issuance of ORs for those collections through banks. Identify also in the Report for Accountable Forms the ORs that were issued for this purpose.	Please be informed that the Cashier has started recording in another register the issuance of ORs for collections made through banks.	Cashier	August 2015	onwards	Fully Implemented		
7. 2014 AAR Observation s No. 7 Pages 34-35	Excessive cash advances granted to special cash disbursing officers were liquidated/refunded beyond due dates, contrary to COA Circular No. 97-002 dated February 10, 1997 exposing the unused cash to risk of misuse of funds/	a. That Management to comply with COA Circular 97-002 dated February 10, 1997 on the grant, utilization and liquidation of cash advances and demand the liquidation of cash advances within the prescribed period; and	Management duly considered your observation and recommendation of complying with COA Circular No. 97-002 on the grant, utilization and liquidation of cash advances within the prescribed period and strictly adhering to COA Circular No. 2012-003.	Project Officer/ Accountable Officer Accounting Division COO	January 205	onwards	Fully Implemented		

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		b. Strictly adhere to COA Circular No. 2012-003 and Executive Orders 248 and 298 on expenses charged against cash advances. Demand payment/refund of expenses which were deemed excessive and unnecessary from employees concerned.	Management would like to point out in your observation, there are instances that upon liquidation, cash advances turned out to be excessive for the following reasons: - Complimentary/ FOC or discounted rates are still being negotiated at the time the cash advance was granted. - Sponsorships are extended to some activities of the project; some establishments grant it at the time of activity based on what the group/guest has to offer or what benefits can be derived - Cancelled activity of the project						

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			- Minor changes in the itinerary - There are establishments that accept payment only on cash basis. Thus, if any of the aforementioned reasons happen, refund/excess cash advances turns out to be bigger than the expenses incurred.						

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8. 2014 AAR Observation No. 8 Pages 35-36	Participation Fees amounting to P3.774 million were taken up as Miscellaneous Income instead of Service Fee-Participation Fees, thus overstating Miscellaneous Income by P3.774 million and understating Service Fees by P3.172 million and Deferred Credits by P0.602 million. On the other hand, funds transferred by TIEZA and DOT for the rehabilitation of the TPB offices, financial assistance and other activities in the amount of P3.2 million and P250,000 respectively were taken up as Miscellaneous Income instead of Trust Liabilities under Due-to-other GOCCs/Subsidy from other NGAs, resulting in the overstatement/understate ment of various accounts.	a. Accountable Officers /Recipients of Funds to submit reports as required under the MOA and prepare liquidation reports for all funds received from other agencies. b. Accountant to : - Implement the necessary adjusting entries to reclassify the accounts; and - Review liquidation reports on expenses prepared by the Accountable Officers for approval of the head of the Agency. c. The Cash Unit to be briefed as to the proper classification of collections d. The Budget Unit to prepare report on the Utilization of funds.	In compliance with the recommendation, Management has required the accountable officers to inform and furnish the Finance Department a copy of the Memorandum of Agreement (MOA) to be able to properly record the fund transfers. We have required the accountable officers to submit a terminal report and a liquidation report as reviewed by the Accounting Division prior to the approval of the Head of Agency which shall be submitted to the agency granting the funds. Please be advised that the necessary adjusting entries for the reclassification of accounts have been	Accounting Division Budget Division Accountable Officers Cashier	January 2015	onwards	Partially Implemented		

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			made under JEV (GJ) No.09-2015-054 dated September 30, 2015. Please be clarified that the Service Income-Participation Fees account is used solely for the individuals' registration fee for his participation in a project. The booth rental payments of various participating establishments are considered as their share/contribution to what TPB paid to the project organizer, thus charging/treating it as Miscellaneous Income. Please be further advised that the P601,750 should not be considered as Deferred Credits to Income as this pertains to the						

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			payment of United International Hotel Group for the booth rental at the 2014 World Travel Market, hence, no adjustment to be made.						
9.2014 AAR Observation No. 9 pages 37-39	Foregone interest on excess funds maintained in a Cash In Bank Account Tourism Promotions Board (TPB) could have earned an additional interest income of at least P8.25 million had the Agency invested its excess funds in High Yield Savings Account (HYSA) instead of maintaining them under the Land Bank of the Philippines (LBP) Current Account.	a. Management to invest the excess funds placed under current account in HYSA. Evaluate/estimate an appropriate maintaining balance which is just enough to meet the daily check withdrawals; and b. Evaluate overall financial ability and determine best investment opportunities for funds that will yield higher returns, such as investment in government securities or high yield savings account.	Please be informed that the TPB Management has taken note of your recommendations. The TPB Management is taking due diligence in placing investments or in acquiring government securities. We have done research on the current “market prices of stocks, bonds and government securities which are volatile at the moment, and	Manager, Finance Department COO	January 2015	onwards	Partially Implemented		

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			concurred by the LBP-BSP Branch Manager. It may also be noted that although the “coupon prices” of government securities are fixed, there has to be a buyer in the second market before we can unload our placements. We may have to wait for an indefinite/long period of time to unload when there is an immediate need for the TPB to settle its accounts/and obligations contracts. Meantime that we are reviewing/evaluating in investing in marketable securities, Management will continue to invest in High Yield Savings taking into account the varying						

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			denominations and maturity dates that suit the need for the required cash balance for the daily disbursements of the Corporation. Hence, we have to carefully/strategically plan our investments.						

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10. 2014 AAR Observation No. 10 pages 39-41	The cost incurred for ordering various check booklets was not maximized because 980 pieces LBP checks have not been used for quite some time while 2,071 pieces PNB checks still remained in stock although the PNB account had been closed.	Management to dispose of the PNB unused checks that are already has a zero balance. Evaluate carefully requirement for check issuance prior to ordering of checks from the banks to avoid expenses for the cost of checks.	Please be informed that the LBP-Account No.1772-1034-21 has been closed on June 26, 2015. The unused checkbooklets with a Serial No. 303721-304700 for a total of 980 pieces were surrendered to LBP. Likewise, Management has coordinated with PNB for the closing of its three (3) accounts which have been stagnant for some time; the Peso Current Account, Peso Savings Account and US Dollar Savings Account. The Peso Current Account and Peso Savings Account is a Combo Transfers Account , thus the Current Account No. 297-850023-7 with a zero balance is not a closed account, the Peso Savings Account transfers balance to	Accounting Division Cashier	August 2015	onwards	Partially Implemented		

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			Peso Current Account once there will be an issuance of check. Todate, a Board Resolution has been prepared to comply with the requirements of the PNB for the closing of TPB PNB Accounts. It is with the Honorable Secretary Ramon R. Jimenez for his signature.						
11. 2014 AAR Observation No. 11 Pages 39-41	TPB substantially pursued various activities in response to the Department of Budget and Management – National Economic and Development Authority– National Commission on the Role of Filipino Women (DBM-NEDA-NCRFW) Joint Circular No. 2012-1 which requires the preparation by agencies of an Annual GAD Plan, that should include activities	It is recommended that a feedback mechanism be included to determine appropriateness of seminars undertaken and its effectiveness so as not to focus merely on compliance with the provisions on GAD	Please be advised that TPB’s Gender and Development (GAD) Program and activities for the year 2014 was observed and implemented accordingly. Subsequently, a post training evaluation has been developed for the participants to accomplished at the end of training session as a feedback mechanism on tool to	Personnel and Human Resources Division	January 2015	December 2015	Partially Implemented		

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	that are either client-focused or organized – focused.		determine the appropriateness and effectiveness of the seminar.						
12. 2014 AAR Observation No. 12 pages 41	Compliance with Tax Laws	Management to prepare subsidiary ledgers for all types of tax withheld so as to facilitate reconciliation of taxes withheld and their corresponding remittances.	In compliance with your audit recommendations, we will prepare subsidiary ledgers and will reconcile the balance of unremitted withholding taxes.	Accounting Division	January 2015	onwards	Partially Implemented		

Agency sign-off:

DOMINGO RAMON C. ENERIO III

Chief Operating Officer

Name and Position of Agency Officer

10-26-15

Date