



*Republic of the Philippines*  
**COMMISSION ON AUDIT**  
*Commonwealth Avenue, Quezon City*

June 9, 2016

**Management Letter on the Audit of the  
Tourism Promotions Board  
For the Year Ended December 31, 2015**

**DOMINGO RAMON C. ENERIO III**

Chief Operating Officer  
Tourism Promotions Board  
Legaspi Tower 300 P. Ocampo corner Roxas Blvd.,  
Manila

**Dear Mr. Enerio:**

1. Pursuant to Section 2, Article IX-D of the Constitution of the Philippines and Section 43 of the Government Auditing Code of the Philippines Presidential Decree (PD) No. 1445, we have audited the accounts and operations of the Tourism Promotions Board (TPB) for the year ended December 31, 2015. The audit was conducted in accordance with applicable legal and regulatory requirements, and generally accepted state auditing standards. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted to: a) ascertain the propriety of the financial transactions and operations of the agency; b) ascertain compliance with prescribed rules and regulations; c) recommend agency improvement opportunities; and d) determine the extent of implementation of prior year's audit recommendations.
3. The Annual Audit Report (AAR) on the TPB cannot be prepared because of the non-submission of the Financial Statements (FS) as of December 31, 2015 and late submission of monthly trial balance. Instead, this Management Letter (ML) is issued, pursuant to COA Memorandum No. 2014-011 dated October 21, 2014.
4. Deficiencies observed in the course of the audit were earlier communicated through Audit Observation Memoranda (AOM) and discussed with the Management during the exit conference held on June 9, 2016. The comments of Management on the AOMs are incorporated in this ML, where appropriate.

## I. INTRODUCTION

### Creation and Mandated Function

5. The Tourism Promotions Board (TPB), with legal address at 4th Floor, Legaspi Towers 300, Roxas Boulevard corner P. Ocampo Sr., Manila, is a stock corporation by virtue of Republic Act (RA) No. 9593, known as the Tourism Act of 2009.
6. The Implementing Rules and Regulations (IRR) for this Act were issued on November 10, 2009. Under this Act, the Philippine Convention and Visitors Corporation (PCVC) was reorganized as the Tourism Promotions Board, and the Bureaus for Domestic and International Tourism Promotions and the Office of Tourism Information of the Department of Tourism (DOT) were absorbed into the TPB.
7. The TPB is attached to the DOT per Section 28 of RA 9593 and shall formulate and implement an integrated domestic and international promotions and marketing program for the DOT.

### Organizational Set-up

8. The Governance Commission for Government Owned and Controlled Corporations (GCG) has approved a new Organization Structure and Staffing Pattern (OSSP) for TPB effective June 30, 2014. Accordingly, all positions under the old OSSP of TPB were deemed abolished. As of December 31, 2015, TPB has 56 regular positions and 64 Job Order Personnel.

## II. AUDIT SCOPE AND METHODOLOGY

9. The audit covered the operation of the Tourism Promotions Board for Calendar Year (CY) 2015. The audit was to ascertain the adequacy of books of accounts and subsidiary records, and timeliness, and completeness of the financial statements based on the Philippine Financial Reporting Standards (PFRS). Our audit was also conducted to determine TPB's compliance with applicable laws, rules and regulations.

## III. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

Below is the summary of the significant audit observations and recommendations for CY 2015:

10. Financial documents/reports, including Journal Entry Vouchers (JEVs) and Disbursement Vouchers (DVs), were not submitted within the prescribed period contrary to Note 8, Section 71 of the Manual on the New Government Accounting System (MNGAS), Volume I. Likewise, copies of Contracts/Purchase Orders (POs) were not submitted to the Auditor within five working days upon approval/perfection thereof contrary to Section 3.1.1 of COA Circular 2009-001. Thus, the timely verification of accounts and contracts is affected.

We recommended that Management:

- a. Require the Accountant to comply strictly with the timely submission of the required reports to the Office of the Auditor, otherwise, enforce penalty provisions for non-compliance thereof; and
  - b. Direct the Administrative Officer to submit copies of contracts, together with the supporting documents, to the Auditor, within the prescribed period, pursuant to Section 3.1.1 of COA Circular 2009-001, for timely review of the legal and auditorial aspects of the contract.
11. TPB has not completely implemented its rationalization plan and has not filled up the available plantilla positions approved by the Governance Commission for Government Owned and Controlled Corporations (GCG) under its Memorandum Order (MO) No. 2014-07, thus, affecting the operations of TPB.

We recommended that Management:

- a. Hasten the processing of applications for the vacant plantilla positions. Coordinate with the Civil Service Commission for the list of eligibles. Engage the services of experts to handle the psychological test of applicants to fast track manning of all vacancies in the organization of TPB; and
  - b. Require concerned personnel in the Finance Department to properly maintain the books of accounts and preparation of all reports.
12. The agreement between the Tourism Promotions Board (TPB) and Department of Tourism (DOT) to implement marketing programs and activities for and in behalf of TPB were not supported by Memoranda of Agreement (MOAs). Thus, the procedures and guidelines on remittances cannot be ascertained.

The fund transferred to the PDOT/TAs was recorded as Cash Advances or Promotional and Marketing Expenses instead of Cash Inter Agency Transfer pursuant to Section 4.2 of COA Circular No. 94-013 dated December 13, 1994. Also, Cash Advances totaling P206.617 million were not reported as soon as the purpose for which these were given have been served contrary to Section 4.1 of COA Circular No. 97-002, resulting in the overstatement of advances and understatement of expenses incurred.

We recommended that Management:

- a. Coordinate with DOT to execute a MOA between TPB and DOT with regard to the fund transfers to PDOT/TAs for the implementation of TPB projects;
- b. Comply with Section 4.2 of COA Circular 94-013 dated December 13, 1994 on the grant, utilization and liquidation of fund transfers to PDOT/TAs and establish systems and procedures in the implementation of the said COA Circular;
- c. Discontinue the granting of funds to non-permanent employees to protect TPB Funds; and

- d. Demand all concerned PDOT/TAs in coordination with the DOT to liquidate their outstanding cash advances. Otherwise this may be a ground for the issuance of a Notice of Disallowance.
13. TPB plans to spend for its programs and projects vis-a-vis its sources of funds to ensure that the budget fits government policies and priorities and attain operational efficiency were not reasonably set resulting in significant excess in approved budget over actual expenses.
- We recommended that Management:
- a. Prepare a more prudent/reasonable budget for projects/activities and operations to protect the funds of the Agency;
  - b. Pay salaries and benefits of regular and JO personnel based on allowable amount;
  - c. Observe proper charging of expenses especially in the use of contingency funds; and
  - d. Submit supporting documents/legal basis for the payment of CY 2016 milestone allowance paid to regular and JO personnel.
14. The amendment, renewal and extension of Advertising Services Contract in the total amount of P999.780 million entered into by and among DOT, TPB and the Advertising Consultant to undertake the production of the creative materials necessary for the implementation of the media plan for use in the "It's More Fun in the Philippines", were not in accordance with Section 10 of the IRR of RA 9184 hence the contracts were void/invalid.

#### IV. AUDIT OBSERVATIONS AND RECOMMENDATIONS

15. Financial documents/reports, including Journal Entry Vouchers (JEVs) and Disbursement Vouchers (DVs), were not submitted within the prescribed period contrary to Note 8, Section 71 of the Manual on the New Government Accounting System (MNGAS), Volume I. Likewise, copies of Contracts/Purchase Orders (POs) were not submitted to the Auditor within five working days upon approval/perfection thereof contrary to Section 3.1.1 of COA Circular 2009-001. Thus, the timely verification of accounts and contracts is affected.

- 15.1 The TB, FSs, JEVs, and supporting schedules were not submitted on time to the COA Audit Team, contrary to Note 8 Section 71 of the MNGAS.

Note 8, Section 71 of the MNGAS, Volume I, states:

*"The frequency of submission of Pre-Closing Trial Balance/Post-Closing Trial Balance and other reports shall be as follows:  
Pre-Closing Trial Balance and other reports – monthly, within ten days after the end of the month to the COA Resident Auditor and DBM.*

*Year-end Pre-Closing Trial Balance/ Post-Closing Trial Balance and other reports – on or before Feb. 14 of the following year to the COA Resident Auditor, DBM and COA, Accountancy Office.”*

15.2 The prescribed submission dates, due date and the delay in the submission of the quarterly FS, monthly TB, JEV, Official Receipts (ORs) and Disbursement Vouchers (DVs) as of February 15, 2016 are shown below:

Month	Due date	FS & Trial Balance		JEVs, Ors		Disbursement Vouchers	
		Date Submitted	Days delayed	Date Submitted	Days Lapsed	Date Submitted	Days Lapsed
January	2/10/2015	8/16/2015	195	8/16/2015	195	5/7/2015	86
February	3/10/2015	8/28/2015	171	8/28/2015	171	5/7/2015	58
March	4/10/2015	11/12/2015	216	11/12/2015	216	7/21/2015	102
April	5/10/2015	4/12/2016	338	4/12/2016	338	8/11/2015	93
May	6/10/2015	5/3/2016	328	5/3/2016	328	8/11/2015	62
June	7/10/2015	5/10/2016	305	5/10/2016	305	9/21/2015	73
July	8/10/2015	5/16/2016	280	5/10/2016	274	9/30/2015	51
August	9/10/2015	not submitted as of (2-15-16)	158	not submitted as of (2-15-16)	158	not submitted as of (2-15-16)	158
September	10/10/2015	-do-	128	-do-	128	-do-	128
October	11/10/2015	-do-	97	-do-	97	-do-	97
November	12/10/2015	-do-	67	-do-	67	-do-	67
December	02/15/2016	-do-	0	-do-	0	-do-	0

15.3 The late or non-submission of the required financial and accounting reports caused the delay of timely verification of the accounts and transactions, early correction of deficiencies and adjustments in the records/reports if necessary.

15.4 In addition, payrolls, which are required to be submitted to COA within 10 days after receipt by the accountant of the report and supporting documents from the Accountable Officer (AO), were submitted at the same time with the JEV and TBs which is beyond the prescribed period.

15.5 Likewise despite our previous communication, copies of contracts, together with the supporting documents for review were not submitted to the Auditor within the prescribed period, some were not submitted at all. Some contracts were submitted to the audit team as attachments to DVs which were submitted for post-audit several months later. This is contrary to the provisions of Section 3.1.1. of COA Circular 2009-001 dated February 12, 2009 which states:

*“3.1.1 Within five (5) working days from the execution of a contract by the government or any of its subdivisions, agencies or instrumentalities, including government-owned and controlled corporations and their subsidiaries, a copy of said contract and each*

*of all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned xxx."*

**15.6 We recommended that Management:**

- a. **Require the Accountant to comply strictly with the timely submission of the required reports to the Office of the Auditor, otherwise, enforce penalty provisions for non-compliance thereof; and**
- b. **Direct the AO to submit copies of contracts, together with the supporting documents, to the Office of the Auditor, within the prescribed period, pursuant to Section 3.1.1 of COA Circular No. 2009-001, for timely review of the legal and auditorial aspects of the contract.**

15.7 Management commented that TPB is still in the process of reorganization. The separation of seven Finance staff left the remaining staff to handle the vital functions of the department. Also, financial transactions for the last quarter of 2014 to 2015 have significantly increased and from 3<sup>rd</sup> to 4<sup>th</sup> quarter of CY 2015, TPB is working on its ISO 9001:2008 certification.

**16. TPB has not completely implemented its rationalization plan and has not filled up the available plantilla positions approved by the GCG under its Memorandum Order (MO) No. 2014-07, thus, affecting the operations of TPB.**

16.1 The TPB Reorganization Plan of 2014 which was approved by GCG on April 7, 2014 provided for 28 organizational units and 150 positions and 15 coterminous positions with the incumbents to be abolished once vacated. The reorganization resulted in the following:

- a. Merging of a several divisions;
- b. Creation of an Internal Audit Office, Legal Department and the Corporate Planning and Business Development Department;
- c. Abolition of some departments/divisions; and
- d. Renaming of three organizational units.

16.2 In May 2014, the IRR for the revised organizational structure was prepared. As part of the implementation of the reorganization TPB shall among others:

- a. Program the filling up of the vacant positions as approved;
- b. Offer retirement separation package for personnel affected by the Reorganizational Plan following the incentives under Executive Order No. 366, s. 2004, as amended by EO No. 77, s. 2012; and
- c. Implement the reorganization within two months after receipt of the MO.

16.3 Invitation by way of memorandum was issued on July 9, 2014 to those who wish to be considered to any position declared open in the new Organization and Structure and Staffing Pattern (OSSP).

16.4 The Rationalization Plan (RATPLAN), resulted in the following:

- a. Six managers/chiefs of divisions with Salary Grades (SG) 24-26 and 31 staff applied for the early retirement plan which was made effective December 31, 2015. Five were extended up to March 31, 2016;
- b. Basically all the heads of division were vacated except for the chiefs of Accounting and Human Resource divisions who applied and were promoted to manager positions. Of the eight department manager positions, only three were immediately filled up from within, however, one was disapproved by the Civil Service Commission (CSC) for not meeting the qualification standards. An appeal is pending with the CSC. The remaining six manager positions were being occupied by Officers-in-Charge (OICs);
- c. All Chiefs of Divisions with equivalent SG of 24 in the new organizational plan were being occupied by OICs;
- d. Vacancies in other departments were not completely filled in. Instead of hiring permanent personnel, TPB hired Job Order (JO) personnel whose contracts were renewed every six months; and
- e. The three positions in the Internal Audit have not been filled in, while out of the five positions in the Legal Department, only one was occupied by permanent staff. The different Promotions Departments were occupied by either a regular or JO personnel.
- f. The following are the unfilled positions in the approved reorganization plantilla:

Dept /Div	Positions Per Plantilla	Occupied (Regular and JO)	Vacant
Industry Relations and Services Div,	10	5	5
Sales Division	11	6	5
The Americas Division	9	6	3
Asean and the Pacific Division	11	7	4
North Asia	10	6	4
Europe, Africa, Middle East and India Div	9	4	5
Events Marketing and Services Division	10	6	4
Sales and Accounts Mgt. Div	10	6	4
Domestic Promotions Department	5	3	2
Brand Mgt and Advertising Div	8	5	3
Media Relations and Communication Div	10	8	2
Personnel and Human Resources Development Div	8	5	3
Procurement and General Services Div.	16	12	4
Corporate Planning and Business Development	9	4	5
Total	136	83	53

16.5 In our review of the implementation of the rationalization plan of TPB, we have observed the following:

a. Because of the delay in the filling-in of vacant positions with qualified personnel, the purpose of the TPB's reorganizational plan has been defeated. The available positions were not immediately opened to applicants and the applicants on-line for permanent positions were not given feedbacks on the status of their applications. We have also noted that TPB has no expertise in the conduct of psychological test of applicants resulting in further delay in the processing of applications.

b. Support services were mostly affected with the following:

b.1 Because of the lack of personnel, promotion activities were mostly undertaken by JO personnel. These personnel were allowed domestic travel for projects in the provinces despite their status. Cash advances for this purpose were also given under the accountability of regular personnel in violation of Section 4.1.6 of COA Circular No. 97-002 which states:

*"Transfer of cash advance from one accountable officer to another shall not be allowed."*

b.2 DOT is also performing promotion functions which should be the functions of TPB.

c. Chief Accountant remained vacant to date, thus, financial records/books of accounts were not properly attended to and the following reports were not submitted to the Audit Team within the prescribed period:

c.1 Financial reports were behind by one year. To date the latest financial statements submitted by Management is as of April 2015 only, thus, the operations of TPB cannot be evaluated comprehensively in terms of economy, effectiveness and efficiency.

c.2 The report on Government Projects/Programs/Activities (PPA) for CY 2015 has no data for total cost incurred for each projects. Likewise, the report on the 1st quarter of 2016 on PPA has not been submitted.

c.3 Report on cash advances were not submitted on time.

c.4 The reports on the CY 2016 targets of TPB and the 2016 Annual Procurement Plan (APP) together with their Project Procurement Management Plan (PPMP) has not been submitted.

c.5 The inventory of fixed assets scheduled on January 7 to 31, 2016 was not completed. As a result no report on the Inventory of fixed assets was prepared. Similarly, there was no report on inventory of supplies and materials as of December 31, 2015.



c.6 The inventory team was not able to conduct physical inventory of fixed assets on the following departments and/or items:

- Domestic Promotions Department
- Administrative Department
- Commission On Audit
- Stock room
- Vehicles

**16.6 We recommended that Management:**

- a. Hasten the processing of applications for the vacant plantilla positions. Coordinate with CSC for list of eligibles. Engage the services of experts to handle the psychological test of applicants to fast track manning of all vacancies in the organization of TPB; and**
- b. Require concerned personnel in the Finance Department to properly maintain the books of accounts and preparation of all reports.**

16.7 Management commented that the vacant positions were not immediately opened pending receipt of CSC's approval of TPB's Merit Selection which was received in May 2015.

**17. The agreement between the Tourism Promotions Board (TPB) and Department of Tourism (DOT) to implement marketing programs and activities for and in behalf of TPB were not supported by Memoranda of Agreement (MOAs). Thus, the procedures and guidelines on remittances cannot be ascertained.**

The fund transferred to the PDOT/TAs was recorded as Cash Advances or Promotional and Marketing Expenses instead of Cash Inter Agency Transfer pursuant to Section 4.2 of COA Circular No. 94-013 dated December 13, 1994. Also, the Cash Advances totaling P206.617 million were not reported as soon as the purpose for which it was given has been served contrary to Section 4.1 of COA Circular No. 97-002, resulting in the overstatement of advances and understatement of expenses incurred.

17.1 TPB, through the Land Bank of the Philippines (LBP), directly remits funds to the accounts of PDOT attaches in the projected amount of expenses for projects and for DOT operational expenses abroad. Said fund transfers were supported by Board Resolution No. 77 authorizing the TPB Corporate Operating Officer (COO) to enter into a MOA with the Department of Tourism/Tourism Attaches (DOT/TAs) to allow and authorize them to sign all contracts for and in behalf of TPB for the implementation of the CY 2015 marketing and promotions projects subject to compliance with existing auditing and accounting rules and regulations.

17.2 There was no MOA, however, executed by and between DOT and TPB for TPB to avail of the services of different PDOT attaches. Although, TPB is an attached Agency of DOT, an entity distinct and separate from DOT, these transactions between the two Agencies should still be covered by a MOA.

- 17.3 Under the aforesaid Board Resolution, a separate MOA per project shall be executed by and between TPB represented by its COO and the different DOT/TAs, enumerating the responsibilities of both parties. MOA was executed by and between the TAs and TPB for proper accounting and monitoring of funds. Under the MOA the TAs shall acknowledge the fund transfer and treat the same as trust liability. The fund transfers, however, were recorded in the books of TPB as Advances to Officers and Employees account or Promotional and Marketing Expenses contrary to Section 4.2 of COA Circular No. 94-013 dated December 13, 1994 on the Rules and Regulations in the Grant, Utilization and Liquidation of Funds Transferred to Implementing Agencies which states that:

*"The cash/money transferred shall be taken up as Cash, Inter-agency Transferred Funds (8-70-684) by the source agency (SA) and as a trust liability (8-84-100) by the implementing agency. For this purpose, a special budget to be submitted to and approved by the Department of Budget and Management (DBM) is not required."*

- 17.4 The following deficiencies were noted in the remittances of funds to the PDOT/TAs, to wit:

- a. TPB granted cash advances to officers/employees/local hire who are not employees of TPB in violation of Sections 4.1.4 and 4.1.5 of COA Circular No. 97-02 dated February 10, 1997 which state that:

*"Only permanently appointed officials shall be designated as disbursing officers. Elected officials may be granted a cash advance only for their official traveling expenses."*

*Only duly appointed or designated disbursing officers may perform disbursing functions. Officers and employees who are given cash advances for official travel need not be designated as Disbursing Officers."*

Moreover, Performance bonds could not be secured for the TAs who are not employees of TPB, exposing TPB to risk of loss of funds considering the amount in their custody. As prescribed under Section 7.1 of COA Circular No. 97-002:

*"Each accountable officer with a total cash accountability of P2,000.00 or more shall be bonded. The amount of bond shall depend on the total accountability of the officer as fixed by the Head of the Agency. An official or employee who has both money and property accountability, shall be bonded only once to cover both accountabilities, but the amount of the bond shall be in accordance with the Schedule."*

- b. Cash advances for completed projects remained unliquidated by the PDOT Attaches contrary to Section 4.1.3 of COA Circular No. 97-002 which states that:

*"A cash advance shall be reported on as soon as the purpose for which it was given has been served."*

- c. There was also overlapping of remittances given for additional projects even though the previous ones have not been liquidated. This is contrary to 4.1.2 of COA Circular No. 97-002 which states that:

*"No additional cash advances shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made."*

- 17.5 As of As of December 31, 2015, the unliquidated cash advances amounted to P206.618 million as shown below:

PDOT	Unliquidated Cash Advance
Australia	3,998,943
Canada	16,521,847
Chicago	1,200,903
Frankfurt	11,637,953
Hongkong	11,663,651
India	231,903
Korea	37,466,938
London	31,948,393
Los Angeles	92,593
Malaysia	8,573,003
Osaka	7,996,694
Nagoya	430,110
New York	1,695,726
Osaka	1,313,044
San Francisco	482,457
Shanghai	51,807,013
Singapore	13,361,485
Taiwan	4,457,424
Vietnam	1,737,514
<b>Total</b>	<b>206,617,594</b>

- 17.6 Demand letters were sent to concerned PDOT/TAs. To date, however, no liquidations have been recorded in the books. Non-settlement of cash advances may be a ground for the issuance of a Notice of Disallowance.

- 17.7 Since the remittances were taken-up as Advances to Officers and Employees and/or Promotional and Marketing Expenses by TPB, these were not recorded in the books of DOT. The TAs who are not required to secure clearance from TPB can retire or transfer to another Agency even without liquidating their cash advances as in the case of the following attaché:

PDOT	Particulars	Amount of Cash Advance
San Francisco	Retired 5/15/2015	114,183
Osaka, Japan	Transferred to Philippine Retirement Authority (PRA) 6/8/2015	4,962,308

**17.8 We recommended that Management:**

- a. Coordinate with DOT to execute a MOA between TPB and DOT with regard to the fund transfers to PDOT/TAs for the implementation of TPB projects;
- b. Comply with Section 4.2 of COA Circular No. 94-013 dated December 13, 1994 on the grant, utilization and liquidation of fund transfers to PDOT/TAs and establish systems and procedures in the implementation of the said COA Circular;
- c. Discontinue the granting of funds to non-permanent employees to protect TPB Funds; and
- d. Demand all concerned PDOT/TAs in coordination with the DOT to liquidate their outstanding cash advances.

17.9 Management replied that they are closely monitoring funds released to PDOT/TAs. Copies of the demand letters issued by the TPB resident Auditor were forwarded to the Undersecretary of DOT for follow up on the status of the DOT attaches outstanding cash advances.

**18. Funds transferred to different DOT regional offices for financial assistance and marketing programs were taken up as advances to officers and employees and were not liquidated by concerned Accountable Officers (AOs) within the prescribed period contrary to COA Circular 97-002 dated February 10, 1997 and COA Circular No. 94-013 dated December 13, 1994, thus, resulting in the delay in the recording of expenses.**

18.1 The funds released to DOT Regional Offices for Visit Philippines Year (VPY) 2015 in the total amount of P3,805,500 were charged against CY 2012 to CY 2015 special and contingency fund. Considering that TPB's requirements for the implementation of its programmed projects/activities were more than enough as the budget for the project exceeded actual expenses for CY 2015 by P126.462 million, using the contingency funds for this purpose is contrary to Section 56 of RA 9593 which provides:

*"Section 52 – Special Contingency Fund. At the beginning of each year, ten percent (10%) of the allocation for promotions and marketing shall be set aside as a Special Contingency Fund of the PTPB. This shall be used in the event of emergencies to provide the PTPB with sufficient resources to undertake marketing and promotions activities that will encourage sustained tourism interest in the Philippines and that will address the adverse effects of these emergencies."*

18.2 Cash advance granted to DOT employees in the region who are not TPB regular employees is contrary to Section 4.1.4 of COA Circular No. 90-331 dated May 3, 1990 which provided that only permanently appointed officials shall be designated as disbursing officers.

18.3 There was no reciprocal recording of funds transferred to regional offices since funds released in CY 2014 for VPY 2015 were recorded as Contingent and Emergency expenses (account 809) while those funds released in CY 2015 for VPY 2015 were taken up as advances to officers and employees. Some DOT regional offices recorded the funds under Trust Liability account. This is contrary to COA Circular No. 94-013 on the Rules and Regulations in the Grant, Utilization and Liquidation of Funds Transferred to Implementing Agencies and COA Circular No. 97-002 on the Restatement with amendments of the rules and regulations on the granting, utilization and liquidation of cash advances provided for under COA Circular No. 90-331 dated May 3, 1990.

Section 4.2 of COA Circular 94-013 states:

*“4.2 The cash/money transferred shall be taken up as Cash, Inter-agency Transferred Funds (8-70-684) by the source agency (SA) and as a trust liability (8-84-100) by the implementing agency. For this purpose, a special budget to be submitted to and approved by the Department of Budget and Management (DBM) is not required.”*

18.4 The funds were also being transferred from one agency to another and one AO to another for funding of various projects. This is contrary to Section 4.1.6 COA Circular 90-331 dated May 3, 1990 which stated that: *“Transfer of cash advance from one Accountable Officer (AO) to another shall not be allowed.”*

The fund transfers were as follows:

a. DOT released the amount of P31,322,221 to TPB

DATE	OR#	Nature of Collection	Collection
6 Feb	9575226	Payment for Accommodation re Phitex 2014	164,252
	9575227	Transfer of Funds re Madrid Fusion Manila	2,500,000
	9575228	Payment for Airfare & Accommodation. re Phitex 2014	124,968
22 May	6888304	Transfer of Funds re APEC 2015 Tech. Inspection	879,000
	6888305	Reimbursement re APEC 2014 Domestic Inspection	366,706
28 May	6888327	Transfer of fund for St. Gallen Symposium	10,000,000
2 Jun	6888334	Transfer of Funds re Madrid Fusion Manila 2015	6,361,300
24 Nov	3228868	Transfer of Funds re ITB Asia 2015	6,385,995
20 Mar	6888125	Transfer of funds for the Professional Congress Organizer/.Professional Exhibit Organizer Congress Website development	4,540,000
Total			31,322,221

b. Aside from transfers to DOT regional Offices, TPB transferred funds to DOT for:

Date of Check	Check No.	Particulars	Amount
04/17/15	342877	Representing TPB financial sponsorship to the Diving Resort Travel Expo Philippines last Sept 11 - 13, 2015	7,000,000
12/04/15	346950	Transfer funds re: BBDO Guerrero Projects	7,470,326

- c. Transfers of funds from Tourism Infrastructure and Enterprise Zone Authority (TIEZA) were taken up as miscellaneous income, thus proper accounting of funds transferred were not observed.

Date	OR No.	Particulars	Amount
6/30/2015	6888410	Share for Booth Construction re WTM 2014	136,500
7/2/2015	6888416	Sponsorship re GOPAC 2013	352,800
8/27/2015	6888583	Sponsorship re MICECON 2013	1,000,000
8/27/2015	6888584	Sponsorship re PTAA Travel Expo 2015	500,000
8/27/2015	6888585	Sponsorship re Madrid Fusion 2015	500,000
8/27/2015	6888586	Sponsorship re Phil. Travel Mart 2014	500,000
<b>Total</b>			<b>2,989,300</b>

- 18.5 Unliquidated cash advances of DOT Regional Directors were being transferred to the newly assigned Regional Directors without proper turnover or liquidation of their accountabilities.
- 18.6 Funds were not liquidated by the AOs within the prescribed period or after the purpose had been served, thus, understating expenses. This is contrary to Section 4.1.3 of COA Circular No. 90-331 dated May 3, 1990 and sections 5.4, 6.4 and 6.5 of COA Circular No. 94-013 which provide the following:

*“COA Circular 90-331 dated May 3, 1990*

*4.1.3 A cash advance shall be reported on as soon as the purpose for which it was given has been served.  
COA Circular 94-013*

*5.4 require the IA to submit the reports and furnish the IA with a copy of the journal voucher taking up the expenditures. Upon receipt of the copy of the Certificate of Settlement and Balances (CSB) and the Credit Notice (CN) issued by the IA Auditor, the Accountant shall draw a journal voucher restoring back the amount previously credited for any disallowance. He shall furnish the IA with a copy of the JV; and*

*6.4 within five (5) days after the end of each month, the Accountable Officer (AO) shall prepare the RCI and the RD and shall submit them with all supporting vouchers/payrolls and documents to the Accountant. These reports shall be approved by the Head of the Agency;*

*6.5 within ten (10) days after receipt from the AO, the Accountant shall verify the Reports, provide accounting entries, record and submit the duplicate copies of the Reports with all the originals of vouchers/payrolls and all supporting documents to the IA Auditor. The Accountant shall ensure that only expenses for the project are included in the Reports. He shall submit the original copy of the Reports to the SA (Attention: The SA Accountant).”*

18.7 Aside from CY 2015 funds released to different DOT regional offices, there were still several grants from prior years that remained unliquidated as of December 31, 2015. The unliquidated funds/cash advances of DOT regional offices as of December 31, 2015 are shown below:

DOT Regional Offices	Amount
Region I	67,908
Region II	1,275,072
CAR	906,992
Region III	365,000
Region IVa	773,687
Region IV b	52,249
Region V	2,623,750
Region VI	189,562
Region VII	2,531,642
Region VIII	673,338
Region IX	300,000
Region X	1,206,300
Region XI	797,311
Region XII	812,500
Region XIII	700,000
Total	13,275,311

18.8 We recommended that Management:

- a. Comply with the subject pertinent provisions of COA Circular No. 97-002 dated February 10, 1997 and pertinent COA Circular No. 94-013 dated December 13, 1994;
- b. Require that funds transferred to DOT Regional Offices be recorded as Inter-agency Transferred Funds by TPB as the SA and as a trust liability by the DOT Regional Offices as implementing agency; and
- c. Require immediate accounting and liquidation of funds by DOT Accountable officials from the regions.

19. Cash Advances (CA) of officers and employees were not liquidated within the prescribed period and additional cash advances were granted even with outstanding unliquidated balances contrary to COA Circular No. 97-002 No. dated February 10, 1997.

Expenses were not fully supported by valid documents and the Reimbursement Expenses Receipts (RERs) were used to support various expenses contrary to COA Circular No. 2004-006 dated September 9, 2004, thus, expenses may be considered as either irregular, excessive or unnecessary.

19.1 CAs of various officers and employees were liquidated beyond the prescribed period. For several years, this has been our audit observation which has not been corrected. As of December 31, 2015 CAs of 15 employees remained unliquidated from 60 to more than 120 days from end of the prescribed period in the total

amount of P 4.930 million. This is contrary to Section 4.1.3 of COA Circular No. 97-002 which states that:

*"A cash advance shall be reported on as soon as the purpose for which it was given has been served."*

19.2 Additional cash advances were granted to 15 officers and employees with outstanding cash advances totalling P8.047 million. This is contrary to paragraph 4.1.2 of COA Circular No. 97-002 dated February 10, 1997 which states that:

*"No additional cash advances shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made."*

19.3 On the other hand, our review of cash advance liquidation vouchers showed that various expenses were not supported by valid documents but only with RERs such in payment for the following:

- Meals
- Van and tricycle rentals
- Tour guides
- Model Fees
- Island Hopping
- Helmet Diving
- Paragliding
- Prepaid Cards
- Purchase of fruits, vegetables and raw seafood chicken

Disbursements not properly supported with documents were as follows:

- Payments for tour guides and models were not supported by contracts.
- Claims for hotel accommodations were not properly documented.
- Official receipts presented for payments were not supported by billing statements or statement of accounts from the hotel thus the identity of the actual guest cannot be determined.

19.4 Either RERs/blank RERs without indicating nature of expenses or invalid documents such as plain paper and ordinary receipts not registered with Bureau of Internal Revenue were used to support expenses totalling P 99,615. This is contrary to COA Circular No. 2004-006 dated September 9, 2004, particularly Section III, sub paragraph 3.1 and 3.2, which states that:

*"3.1 Generally, the objective of examining the evidence of receipt of payment is to establish that the funds disbursed have actually been received by the payee so that any liability arising from the claim has indeed been extinguished or reduced in the amount received by the payee."*

*3.2 Such evidence of receipt of payment may take several forms as described below, but whatever form is taken, the minimum data content are as follows:*

- a. Name of Disbursing Officer making the payment



- b. *Date of Payment*
- c. *Address of the Recipient*
- d. *Amount of Payment Received*
- e. *Purpose of the Payment*
- f. *Amount of Payment Received*"

19.5 Expenses for hiring of sailboats, private boats and car rentals in the total amount of P6,000 to P26,000 paid through RER were considered excessive under COA Circular No. 2012-003 on Irregular, Unnecessary, Excessive, Extravagant and Unconscionable Expenditures or uses of government funds and properties.

19.6 We recommended that Management:

- a. Demand immediate liquidation of unliquidated cash advances beyond the prescribed period and comply with COA Circular No. 97-002 on the granting and liquidation of cash advances;
- b. Submit valid documents to support expenses and avoid/limit the use of RERs. Strictly comply with Section III, sub paragraph 3.1 and 3.2 of COA Circular No. 2004-006 dated September 9, 2004; and
- c. Strictly comply with COA Circular No. 2012-003 dated October 29, 2012 in charging of expenses to avoid irregular, unnecessary, excessive, extravagant and unconscionable expenditures or uses of government funds.

19.7 Management commented that in view of the limited market officers and employees who were authorized and bonded, they are obliged to grant additional cash advances even if there were still outstanding cash advances so as not to hamper the implementation of TPB projects.

20. TPB plans to spend for its programs and projects vis-a-vis its sources of funds to ensure that the budget fits government policies and priorities and attain operational efficiency were not reasonably set resulting in significant excess in approved budget over actual expenses.

20.1 In the budget preparation, trade-offs and prioritization of programs must be made to ensure that the budget fits the government policies and priorities with the end in view of increasing operational efficiency.

20.2 NBC Circular 556 dated January 5, 2015 sets the guidelines in the release of funds for FY 2015. Sub paragraph 4.13 of said circular states that: "As a general rule, agencies and offices must spend what is programmed in their appropriations in the GAA, pursuant to GP 73 of FY 2015 RA. No. 10651. xxxxxx "

20.3 For CY 2015, TPB had a total budget of P2.048 billion sourced as follows:

Source	Amount
National Government Support-General Appropriations	500,000,000
Special Accounts in the General Fund (SAGF)	1,130,552,000
Corporate Funds	147,000,000
Beginning Cash Balance	270,000,000
<b>Total sources</b>	<b>2,047,552,000</b>

### On Projects/Activities

Particulars	Budget	Actual Expenses	Variance
International	266,042,927	246,797,042	19,245,885
Domestic marketing and promotions	39,740,150	30,766,323	8,973,827
M.I.C.E Promotions	76,339,756	65,984,720	10,355,036
Tourism Investments Promotions	4,683,721	2,063,810	2,619,911
Special Events/Special Projects	234,929,068	239,837,244	(4,908,176)
Market Communications	976,492,413	987,518,913	(11,026,500)
Corporate Planning and Business Development	60,289,085	45,727,675	14,561,410
Total budget for cost of projects	1,658,517,120	1,618,695,727	39,821,393
Contingency	184,279,680	169,210,407	15,069,273
Admin Expenses	204,755,200	133,183,811	71,571,389
	<b>2,047,552,000</b>	<b>1,921,089,945.05</b>	<b>126,462,055</b>

### On Operations

Personal Services	101,277,580	41,524,186	59,753,394.12
MOOE inc MITHI	88,477,620	77,408,899	(11,068,721)
Capital Outlay	15,000,000	14,250,726	749,274
	<b>204,755,200</b>	<b>133,183,811</b>	<b>71,571,389</b>

20.4 Our review of TPB's budget for CY 2015 and its utilization disclosed the following observations:

- a. The Program/Project/Activities (PPA) report was not supported by schedules to determine the breakdown of expenses that were incurred for each project.
- b. The budgets of TPB were not prudently set since budget exceeded actual expenses for project/activities and operations in a material amount of P126.462 million and P71.571 million respectively for CY 2015, thus, exposing the Board to the risk of misuse of funds.
- c. Because of the availability of much funds we noted excessive claims/charges in the liquidation of cash advances of officers/employees.
- d. TPB also paid milestone financial assistance for CY 2016 for regular and JO personnel equivalent to one month salary inclusive of allowances for regular and P20,000 per JO which were charged to CY 2015 budget despite the absence of legal basis and supporting documents. This is over and above the payment of CY 2016 Anniversary Bonus (milestone) paid to regular and JO personnel.

- e. Total budget for project costs which amounted to P1.659 billion or 81 per cent of the total budget of TPB exceeded actual expenses by P39.821 million. Only budget for market communications and special events/projects incurred a deficit of P11.027 million and P4.908 million respectively. Marketing communications had a budget of 59 per cent of the total budget for projects. Releases to different posts abroad were taken out of the International budget while releases to DOT regional offices were taken from Contingency fund
- f. The unused budget for Personnel Services (PS) amounted to P59.753 million due to unfilled regular positions. Productivity Enhancement Bonus also exceeded the budget by P413,287.
- g. Amount earmarked for the purchase of vehicles exceeded the budget by P336,000.
- h. Maintenance and Other Operating Expenses on the other hand resulted in savings of P11.069 million. Despite the savings realized, it was noted that actual salaries paid to job order personnel were more than TPB's budget by P2.999 million. Benefits in the amount of P7.390 million were paid to JO personnel who are not entitled to any benefits by virtue of the status of their employment. TPB also incurred consultancy services amounting to P451,000 which was not included in the budget.

**20.5 We recommended that Management:**

- a. Prepare a more prudent/reasonable budget for projects/activities and operations to protect the funds of the Agency;
- b. Pay salaries and benefits of regular and JO personnel based on authorized and allowable rates;
- c. Observe proper charging of expenses especially in the use of contingency funds; and
- d. Submit supporting documents/legal basis for the payment of CY 2016 milestone allowance paid to regular and JO personnel.

**21. Reiteration of Prior Year's Audit Observation**

The amendment, renewal and extension of Advertising Services Contract in the total amount of P999.780 million entered into by and among DOT, TPB and the Advertising Consultant (AC) to undertake the production of the creative materials necessary for the implementation of the media plan for use in the "It's More Fun in the Philippines", were not in accordance with Section 10 of the IRR of RA 9184 hence the contracts were deemed void/invalid.

- 21.1 In our CY 2014 Annual Audit Report (AAR), we presented our audit observations on the procurement of Advertising Services Contract entered into by and among DOT, TPB and AC to undertake the production of the creative materials necessary for the implementation of the media plan for use in the "It's More Fun in the Philippines."

- 21.2 The Original Advertising Services Contract in the amount of P199.950 million was dated October 12, 2012 amounting to P199.950 million. The project was for a period of two months and 19 days and the agreement may be renewed for the succeeding years 2013 and 2014 subject to the favorable assessment by DOT.
- 21.3 The Renewal of Advertising Services Contract (RASC) in the amount of P400 million was dated January 29, 2013 while the Amendment to Advertising Services Contract (AASC) was dated April 19, 2013
- 21.4 The Extension of Advertising Services Contract (EASC) was executed on October 12, 2013 but took effect from September 2013 to February 2014 (Duration of six months) with a total consideration of P599.780 million.
- 21.5 Our review of the said Advertising services contract disclosed the following audit observations:**

21.5.1 The DOT Supplemental APP complied with the procurement requirement in so far as DOT is concerned because it was DOT who procured the advertising services for CY 2012 and the amount was charged to the DOT budget. Section 7.2 or the IRR of RA 9184 is clear on this, which provides as follows:

*"7.2 No procurement shall be undertaken unless it is in accordance with the approved APP of the procuring entity. The APP shall bear the approval of the Head of the Procuring Entity or second-ranking official designated by the Head of the Procuring Entity to act on his behalf, and must be consistent with its duly approved yearly budget."*

21.5.2 For the advertising contract for CY 2013, TPB should have an APP of its own considering that it was TPB who procured the advertising contract. In other words, TPB is the procuring entity. TPB cannot claim the Supplemental APP of DOT as basis of its procurement in CY 2013 because DOT is no longer the Procuring Entity. Thus, the procurement of TPB in CY 2013 has no APP.

21.5.3 The justification of TPB Management that the APP for CY 2013 included the Tri media campaign is not correct because it only implies that the budget for the procurement of advertising contract for CY 2013 is included in the tri media budget of P1 billion. What the law requires is an APP based on PPMP pursuant to Section 7.3.2 of RA 9184, to wit:

*"7.3.2. The end-user units of the procuring entity shall prepare their respective Project Procurement Management Plan (PPMP) for their different programs, activities, and projects (PAPs). The PPMP shall include:*

- a. information on whether PAPs will be contracted out, implemented by administration in accordance with the guidelines issued by the GPPB, or consigned;*

- b. the type and objective of contract to be employed;
- c. the extent/size of contract scopes/packages;
- d. the procurement methods to be adopted, and indicating if the procurement tasks are to be outsourced as provided in Section 53.6 of this IRR;
- e. the time scheduled for each procurement activity and for the contract implementation; and
- f. The estimated budget for the general components of the contract."

21.5.4 The proposed PPMP is revised once the Corporate Budget of the agency is approved and the revised PPMP is submitted to the Bids and Award Committee (BAC) for the inclusion in the final or approved APP pursuant to section 7.3.5 of the IRR, to wit:

*"7.3.5. As soon as the GAA, corporate budget, or appropriation ordinance, as the case may be, becomes final, the end-user units shall revise and adjust the PPMP to reflect the budgetary allocation for their respective PAPs. The revised PPMPs shall be submitted to the BAC, through its Secretariat, for the finalization of the modes of procurement under the proposed APP. The APP shall then be approved in accordance with Section 7.2 of this IRR."*

21.5.5 Management commented that the advertising services contract was deemed included in the Tri-Media/New Media Campaign with an amount of P 1 Billion pesos covering the period November 2012 to December 2013. Undoubtedly, the advertising services contract forms as integral part of TPB's APP for CY 2013.

21.5.6 Auditor's Rejoinder

As we have stated above, the justification of TPB Management that the APP for CY 2013 included the Tri media campaign is not correct because it only implies that the budget for the procurement of advertising contract for CY 2013 is included in the tri media budget of P1 billion. What the law requires is an APP based on PPMP pursuant to Section 7.3.2 of RA 9184.

**21.6 The renewal and extension contract was executed and entered into contrary to the mandatory requirement of Section 10 of the IRR of RA 9184 hence deemed void pursuant to Article 5 of the New Civil Code of the Philippines.**

19.6.1 There were three contracts involved, as follows:

- a. Original Contract – period of 3 months, October to December 2012
- b. Renewal Contract – period of 3 months, February 1 to April 30, 2013
- c. Extension of Contract– period of 6 months, September 2013 to February 2014

21.6.2 We have noted that the completion date of each contract is on a yearly basis and the completion for each contract does not extend to another year. There were three contracts whose completion date for each contract is confined only within the year.

21.6.3 Although the original contract itself stipulated that it may be renewed and extended subject to the mutual agreement of the parties, the original contract expired on December 31, 2012. The renewal and extension of the Advertising contract is a new procurement which should be procured through competitive bidding pursuant to Section 10 of the IRR of RA 9184, to wit:

*"All procurement shall be done through competitive bidding, except as provided in Rule XVI of this IRR."*

21.6.4 The original contract was renewed and extended without public bidding, thus, the renewal and extension contract was procured contrary to Section 10 of IRR of RA 9184. Consequently, the amendments are sourced from a lapsed contract. As such, the renewal and extension contract is void since it was executed and entered into contrary to the mandatory requirement of section 10 of IRR of 9184 pursuant to Article 5 of the New Civil Code of the Philippines, to wit:

*"Article 5. Acts executed against the provisions of mandatory or prohibitory laws shall be void, except when the law itself authorizes their validity."*

21.6.5 TPB Management expressly reiterated its position that the same is a contract with a period subject to renewal and extension upon favorable assessment and recommendation of the management.

**21.7 The amendment of the Contract to correct the deficiencies on the revised advertising service contract is contrary to Section 86 of PD 1445.**

21.7.1 Amendment of the contract is a standard stipulation of the contract wherein contracting parties can amend the contract by mutual agreement provided that the amendment is not contrary to law, public policy and public moral pursuant to Article 1306 of the Civil Code which provides:

*"The contracting parties may establish such stipulations as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy."*

21.7.2 The amendment to correct the deficiencies on the RASC which was entered into without available budget is contrary to Section 86 of PD 1445. The amendment therefore is void.

21.7.3 Management replied that the amendment made in the RASC did not require additional budget for the 2 per cent commission fee considering that the

same was already included and integrated in the contract price. The Management only categorically stated in the amendatory contract the 2 per cent fee for purposes of transparency.

#### 21.7.4 Auditor's Rejoinder

Although the original contract itself stipulated that it may be renewed and extended subject to the mutual agreement of the parties, the original contract expired on December 31, 2012. We reiterate our observation that the renewal and extension of the Advertising contract is a new procurement which should be procured through competitive bidding pursuant to Section 10 of the IRR of RA 9184.

### **21.8 The ratification of the TPB Board with respect to the renewal, amendment and extension is not valid since the original contract was not subjected to public bidding.**

21.8.1 The original contract expired on December 31, 2012. The renewal and extension of the Advertising contract is a new procurement which should be procured through competitive bidding pursuant to Section 10 of the IRR of RA 9184, to wit:

*"All procurement shall be done through competitive bidding, except as provided in Rule XVI of this IRR."*

21.8.2 Thus, the renewal and extension contract was procured contrary to Section 10. Consequently, the amendments were sourced from a lapsed contract. As such, the renewal and extension contract is void since it was executed and entered into contrary to the mandatory requirement of Section 10 of IRR of RA 9184 pursuant to Article 5 of the New Civil Code of the Philippines, to wit:

*"Article 5. Acts executed against the provisions of mandatory or prohibitory laws shall be void, except when the law itself authorizes their validity."*

21.8.3 Thus, the ratification of the Board is not valid because a void contract cannot be ratified pursuant to the last sentence of Article 1409 of the Civil Code of the Philippines, to wit:

"Art. 1409. The following contracts are inexistent and void from the beginning:

1. *Those whose cause, object or purpose is contrary to law, morals, good customs, public order or public policy.*
2. *xxx These contracts cannot be ratified. Neither can the right to set up the defense of illegality be waived."*

21.8.4 Management pointed out that there was a timely extension of contract made by the parties pursuant to the provision of the original contract, which

provides that the same may be extended or renewed for CY 2013 and CY 2014. Item No. V.2. (page 4 of 7) states that the contract may be "renewed for the years 2013 and 2014 subject to the favorable assessment by the DOT of the effectiveness of the media plan for 2012 as implemented and upon mutual agreement by the parties."

21.8.5 In addition Management commented that the contention that the renewal and extension of the advertising services contract is a new procurement which should be procured through public bidding may be considered inaccurate since the nature of the transaction is not a procurement activity but one of a renewal or extension of services.

#### 21.8.6 Auditor's Rejoinder

The TPB Board of Directors is indeed authorized to approve and ratify contracts and agreements. The ratification of the TPB Board, however, is not valid because a void contract cannot be ratified pursuant to the last sentence of Article 1409 of the Civil Code of the Philippines. :

21.8.7 In view of the foregoing, it is our view that the renewal and extension of the advertising contracts with advertising contractor in the amounts of P400 million and P599.780 million respectively were illegal and therefore one of the grounds for the issuance of Notice of Disallowance under COA Circular 2012-003 dated October 29, 2012.

### V. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 27 prior year's audit recommendations 10 were fully implemented, nine partially implemented and eight were not implemented.

Reference	Observation	Recommendation	Status of Implementation
AAR 2014 AO No. 1 page 17	<p>1. Advertising contract not subjected to public bidding and was renewed &amp; extended in the amount more than the original contract.</p> <p>The procurement of Advertising Services Contract, its amendment, renewal and extension in the total amount of P1.2 billion entered into by and among Department of Tourism (DOT), Tourism Promotion Board (TPB) and the Advertising Consultant</p>	<p>We recommended that Management submit justification why the payments to the AC did not comply with various provisions of law and other deficiencies, as follows:</p> <p>a. Section 7.2 of RA 9184 on the Annual Procurement Plan;</p> <p>b. Section 30.1 of the IRR of RA 9184 on the disqualification of a bidder based on the non-discretionary "Pass/Fail" criterion.</p> <p>c. Section 21 of the General Provisions of RA 10155 or</p>	Fully Implemented



Reference	Observation	Recommendation	Status of Implementation
	<p>(AC) to undertake the production of creative materials necessary for the implementation of 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) 9184.</p>	<p>the 2012 General Appropriations Act and DBM Circular Letter No. 2004-12 dated October 27, 2004 which provides that no Agency shall enter into a multi-year contract without securing a Multi-year Obligational Authority (MYOA).</p> <p>d. Subsection 4 of Section 53 of RA 9184.</p> <p>e. The implementation of the RASC prior to the AASC, without available budget and the funds were received in a much later date; and</p> <p>f. The ratification of the TPB Board of Directors only on 19 June 2014 or after TPB had entered into Advertising Services Contract, with the AC and its renewal, amendments and extension.</p>	
<p>AAR 2014 AO No. 2 page 26</p>	<p>2. Prior years' cash advances amounting to P17.07 million and those granted in CY 2014 in the amount of P132 million were not liquidated in accordance with COA Circular No. 97-002 dated February 10, 1997, thus, understating the Promotional and Advertising Expenses account while overstating the reported Income and Cash Advance account .</p>	<p>We reiterated our previous recommendations that Management:</p> <p>a. Require 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;</p> <p>b. Cause or order the withholding of the payment of any money due to the AOs concerned to immediately</p>	<p>Partially Implemented</p> <p>Not Implemented</p>

Reference	Observation	Recommendation	Status of Implementation
		<p>liquidate their long outstanding cash advances;</p> <p>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;</p> <p>d. Exhaust all means to collect outstanding cash advances from resigned/transferred/retired officials and/or offset balances against any claims due them; and</p> <p>e. Require the Accountant to strictly monitor the granting and liquidation of cash advances</p>	<p>Not Implemented</p> <p>Not Implemented</p> <p>Partially Implemented</p>
<p>AAR 2014 AO No. 3 page 29</p>	<p>3. The recorded balance of Property Plant and Equipment (PPE) amounting to P49.28 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.</p>	<p>We recommended that Management:</p> <p>a. Require the Accounting Division and Property Division to maintain PPELCs and PCs, respectively, as prescribed under the Manual of NGAS and facilitate the reconciliation and adjustment of discrepancies, viz:</p> <ul style="list-style-type: none"> <li>• prepare the necessary adjustment to the Building and Advances to Contractors accounts. Record the Building account only upon completion or percentage of completion of the project</li> <li>• reconcile the discrepancies in the</li> </ul>	<p>Not Implemented</p> <p>Fully Implemented</p> <p>Not Implemented</p>

Reference	Observation	Recommendation	Status of Implementation
		<p>additions and disposals of furniture and office equipment during the year</p> <p>b. require the Inventory Committee to complete the physical inventory of PPE to determine and confirm its physical existence and condition</p>	Not Implemented
AAR 2014 AO No. 4 page 31	<p>4. 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.</p>	<p>We recommended 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</p>	Partially Implemented
AAR 2014 AO No. 5 page 32	<p>5. The peso equivalent of dollar collections were 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.</p> <p>Furthermore, the balances of the cashbook for reconciliation with the accounting records were not readily available.</p>	<p>We recommended that Management:</p> <p>a. 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;</p> <p>b. Require the AO/Cashier to record separately the peso with the dollar collections and properly maintain the cashbook/CRR/CDR/CkDR and such other records or their equivalents as may be prescribed by the agency's operating procedures;</p>	<p>Fully Implemented</p> <p>Fully Implemented</p>

Reference	Observation	Recommendation	Status of Implementation
AAR AO No. 6 page 33		<p>c. Require the reconciliation of peso and foreign currency balances between the AO/Cashier and the Accountant at least quarterly; and</p> <p>d. require 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.</p>	<p>Partially Implemented</p> <p>Partially Implemented</p>
AAR 2014 AO No. 6 page 33	6. 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 improperly increment the cash accountabilities of the cashier.	We recommended that the Cashier 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.	Fully Implemented
AAR 2014 AO No. 7 page 34	7. 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.	<p>We recommended that Management:</p> <p>a. 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</p> <p>b. strictly adhere to COA Circular No. 2012-003 and Executive Orders 248 and 298 on expenses charged against cash advances.</p>	<p>Partially Implemented</p> <p>Partially Implemented</p>

Reference	Observation	Recommendation	Status of Implementation
		Demand payment/refund of expenses which were deemed excessive and unnecessary from employees concerned.	
AAR 2014 AO No. 8 page 35	<p>8. 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.</p> <p>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/ understatement of various accounts.</p>	<p>We recommended that Management:</p> <p>a. require accountable officers/ recipients of funds to submit reports as required under the MOA and prepare liquidation reports for all funds received from other agencies.</p> <p>b. require the Accountant to:</p> <ul style="list-style-type: none"> <li>• Implement the necessary adjusting entries to reclassify the accounts; and</li> <li>• Review liquidation reports on expenses prepared by the Accountable Officers for approval of the head of the Agency.</li> </ul> <p>c. brief the Cash Units as to the proper classification of collections</p> <p>f. require the Budget Unit to prepare report on the Utilization of funds.</p>	<p>Partially Implemented</p> <p>Fully Implemented</p> <p>Partially Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>
AAR 2014 VFM AO No. 9 page 37	<p>9. 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</p>	<p>We recommended that Management:</p> <p>a. 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</p>	<p>Not Implemented</p>

Reference	Observation	Recommendation	Status of Implementation
	the Land Bank of the Philippines (LBP) current account.	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.	Not Implemented
AAR 2014 VFM AO No. 10 page 39	10. 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.	We recommended that Management: a. dispose of the PNB unused checks as the account already has zero balance or a closed account; and b. evaluate carefully requirement for check issuance prior to ordering of checks from the banks to avoid expenses for the cost of checks.	Fully Implemented  Fully Implemented

## VI. ACKNOWLEDGMENT

22. We wish to express our appreciation to the management and staff of Tourism and Promotions Board for the cooperation and assistance extended to our audit team during the audit.
23. We request a status report (in hard and soft copy) on the actions taken on the audit findings and recommendations within (60) days from the date of receipt pursuant to Section 93 of the General Provisions of the General Appropriations Act for FY 2015, using the agency Action Plan and Status of Implementation.

Very truly yours,

  
**HENEDINA R. QADROY**  
 Supervising Auditor–Audit Group F  
 Cluster 6, Corporate Government Sector

**TOURISM PROMOTIONS BOARD  
BALANCE SHEET  
As of December 31, 2015**

**ASSETS**

**Current Assets**

Cash - On Hand		
Cash-Collecting Officer	77,200.53	
Petty Cash Fund	50,000.00	
Payroll Fund	0.00	127,200.53
Cash - National Treasury, MDS	0.00	
Cash In Bank - Local Currency		
Cash in Bank - Current Account, PNB	0.00	
Cash in Bank - Current Account, LBP	218,019,681.64	
Cash in Bank - Current Account, LBP (SPP Account)	0.00	
Cash in Bank - Savings Peso Account, PNB	1,807,570.57	
Cash in Bank - High Yield Savings Account, LBP	63,777,276.56	
Cash in Bank - High Yield Savings Account, LBP	252,356,328.45	
	535,960,857.22	
Cash In Bank - Foreign Currency		
Cash In Bank - Savings Dollar Account, PNB	12,259,461.77	
Cash In Bank - Savings Dollar Account, LBP	36,890,102.53	585,110,421.52
Receivables		
Advances to Officers & Employees	351,812,626.07	
Due from Officers and Employees	105,606.75	
Due from National Government Agencies	621,296,519.14	
Due from Government Owned/Controlled Corp.	2,133,030.66	
Receivables-Disallowance/Charges	0.00	
Interest Receivables	751,558.56	
Other Receivables	124,751.55	
Total Receivables	976,224,092.73	
Less: Allowance for Doubtful Accounts	9,758,993.78	966,465,098.95
Inventories		
Office Supplies Inventory	7,379,004.43	
Other Supplies Inventory (Semi-Expendables)	485,696.47	7,864,700.90
Prepayments		
Prepaid Insurance	20,016.42	
Other Prepaid Expenses	0.00	20,016.42
Other Current Assets		
Guaranty Deposits		3,370,282.00
Total Current Assets		1,562,957,720.32

**Non Current Assets**

Investments		
Investments in Stocks		123,600.00
Buildings and Other Structures	21,015,641.26	
Less: Accumulated Depreciation	8,589,043.78	12,426,597.48
Office Equipment	21,387,070.98	
Less: Accumulated Depreciation	7,593,160.11	13,793,910.87
Land Transport Equipment	17,212,155.49	
Less: Accumulated Depreciation	6,083,231.90	11,128,923.59
Furniture & Fixtures	5,342,086.90	
Books	81,450.00	

	5,423,536.90	
Less: Accumulated Depreciation	1,208,992.46	4,214,544.44
Other Property, Plant and Equipment	1,023,733.00	
Less: Accumulated Depreciation	416,295.11	607,437.89
Other Assets		
Software	1,793,275.00	
Restricted Fund - ( High Yield Savings, LBP)	142,723,230.09	
Other Assets	602,643.90	145,119,148.99
Total Non Current Assets		187,414,163.26
<b>TOTAL ASSETS</b>		<b>P 1,750,371,883.58</b>

**LIABILITIES & EQUITY**

Current Liabilities

Payables		
Accounts Payable(Unliquidated Obl.)	1,218,387,314.72	
Due to Officers & Employees	8,544,399.00	1,226,931,713.72
Inter-Agency Payables		
Due to BIR	4,426,612.10	
Due to GSIS	406,415.82	
Due to PAG-IBIG	536,062.76	
Due to PHILHEALTH	27,846.39	
Due to Other NGAs- (416 - PCVC)	177,140.79	
Due to Other NGAs- (416A - TPB)	997,108.38	
Due to Other NGAs - (416B)	83,536,403.95	
Due to Other NGAs - (416C)	5,869,257.25	
Due to Other GOCC	4,828,630.87	100,805,478.31
Other Payables		
Performance/Bidders/ Bonds Payable	31,033,597.40	
Tax Refund Payable	49,081.09	
Other Payables	103,363,234.58	134,445,913.07
Deferred Credits		
Other Deferred Credits		0.00
<b>TOTAL LIABILITIES</b>		<b>1,462,183,105.10</b>

**EQUITY**

Retained Earnings	1,011,954,153.84	
Add: Net Loss	(723,765,375.36)	288,188,778.48
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>P 1,750,371,883.58</b>

Certified Correct:

  
**JOSELITO Y. GREGORIO**  
 Manager, Finance Department



**TOURISM PROMOTIONS BOARD**  
**Statement of Revenues & Expenditures**  
**As of December 31, 2015**

**REVENUES**

Subsidy Income from National Government	P	323,480,000.00
Subsidy from Other National Government Agencies		684,237,701.49
Service Income - Participation Fees		27,362,782.89
Interest Income		6,926,595.23
Miscellaneous Income		12,773,592.24
Other Business Income		11,250.00
		-----

**GROSS REVENUES**

P 1,054,791,921.85

**EXPENDITURES**

**Personal Services**

<b>Salaries and Wages</b>	
Salaries & Wages - Regular	23,377,775.26
Salaries & Wages - Casual	105,957.08
<b>Other Compensation</b>	
Personnel Economic Relief Allowance	1,464,454.56
Representation Allowance	1,417,618.55
Transportation Allowance	1,003,287.83
Clothing Allowance	419,908.00
Productivity Incentive Allowance	217,351.00
Honoraria	474,503.75
Overtime Pay	316,588.12
Cash Gift	292,500.00
Year End Bonus	1,846,822.00
Other Bonuses and Allowances	5,710,306.00
<b>Personnel Benefit Contributions</b>	
Life & Retirement Insurance Contribution	2,735,720.38
PAG-IBIG Contributions	572,803.00
PHILHEALTH Contributions	213,825.00
ECC Contribution	76,694.88
<b>Other Personnel Benefits</b>	
Terminal Leave Benefits	152,761.48
Separation Pay	
Other Personnel - Fringe Benefits	2,749,273.40
Other Personnel Benefits	
Incentive and Loyalty Award	1,052,045.10
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<b>Total Personal Services</b>	<b>44,200,195.39</b>
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**Maintenance & Other Operating Expenses**

Travelling Expenses - Local	P	222,923.33
Travelling Expenses - Foreign		257,188.96
Training Expenses		3,925,003.83
<b>Utility Expenses</b>		
Water Expenses		10,522.50
Electricity Expenses		2,150,157.29
Cultural and Athletic Expenses		129,292.25
Gender and Development Expenses		1,026,348.30
Postage and Deliveries		170.00
<b>Communication Expenses</b>		
Telephone Expenses - Landline		722,040.72
Telephone Expenses - Mobile		1,035,119.38
Internet Expenses		7,573,345.76
Cable, Satellite, Telegraph & Radio Exp.		811,898.15
Advertising Expenses		48,238,019.55
Promotional and Marketing Expenses		1,438,915,415.40
Transportation and Delivery Expense		101,122.58
Taxes, Duties & Licenses		1,954,936.91

Fidelity Bond Premium	100,387.50	
Insurance Expenses	441,827.86	
Supplies and Materials Expenses		
Office Supplies Expenses	3,353,321.25	
Fuel, Oil & Lubricants Expenses	944,735.18	
Maintenance Materials and Supplies Expenses	563,420.22	
Food Supplies Expenses	4,888.00	
Other Supplies Expenses	159,313.17	
Professional Services		
Auditing Services	1,890,860.00	
Consultancy Services	477,018.00	
Board Members/Directors Allowances & Other Benefits	945,479.90	
Janitorial Services	2,903,820.74	
Security Services	3,857,238.38	
Other Professional Services	10,934,746.77	
Contingent and Emergency Expenses	168,287,929.85	
Donations	4,500.00	
Repairs & Maintenance		
Repairs & Maintenance - Office Building	9,555,434.65	
Repairs & Maintenance - Office Equipment	225,896.55	
Repairs & Maintenance - Furniture and Fixtures	472,575.90	
Repairs & Maintenance - Land Transport Equipment	643,972.31	
Prizes	23,586.11	
Membership Dues & Contribution to Organizations	1,212,461.60	
Printing and Binding Expenses	7,917,408.26	
Rent Expenses	6,747,213.34	
Representation Expenses	1,181,131.21	
Subscription Expenses	718,052.24	
Miscellaneous Expenses	289,978.55	
Non-Cash Expenses		
Depreciation Expense - Building & Structures	91,507.08	
Depreciation Expense - Office Equipment	1,972,765.12	
Depreciation Expense - Furniture & Fixtures	307,370.24	
Depreciation Expense - Books	59.25	
Depreciation Expense - Land Transport Eqpt.	1,597,319.94	
Depreciation Expense - Other PPE	105,155.68	
Total MOE	1,735,004,879.76	
Financial Expenses		
Bank Charges	883,723.47	
<b>TOTAL EXPENDITURES</b>		P 1,780,088,798.62
<b>INCOME FROM OPERATION</b>		(725,296,876.77)
<b>OTHER REVENUES/(EXPENDITURES)</b>		
Gain on Foreign Exchange		1,531,501.41
Loss on Disposed Assets		0.00
<b>NET LOSS</b>		P (723,765,375.36)

Certified Correct:

  
 JOSELITO V. GREGORIO  
 Manager, Finance Department

**TOURISM PROMOTIONS BOARD**  
**STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended December 31, 2015  
(with corresponding figures for 2014)  
(in Philippine Peso)

	2015	2014
<b>RETAINED EARNINGS</b>		
Balance at the Beginning of the Yea	1,011,954,154	904,087,518
Net Income(Loss)	(723,765,375)	107,866,636
<b>Balance at the End of the Year</b>	<b>288,188,778</b>	<b>1,011,954,154</b>

Certified Correct:

  
**JOSELITO V. GREGORIO**  
Manager, Finance Department

**TOURISM PROMOTIONS BOARD**

Cash Flow Statement  
As of December 31, 2015

**Cash flow from operating activities**

**Cash inflows**

Subsidy Income from National Government	125,000,000.00
Subsidy Income from Other National Government Agencies	271,001,701.49
Service Income - Participation Fees	28,585,102.40
Interest Income	7,062,094.98
Collection of Receivables	1,319,237.91
Advances from Other Government Agencies	22,912,184.11
Refund from cash advances of officers and employees	7,620,151.62
Employees mandatory contributions and withholding taxes and creditors withholding taxes	25,841,403.59
Miscellaneous Receipts	152,602,516.31

**Total cash inflows** 641,944,392.41

**Cash outflows**

Personal services	46,156,048.08
Maintenance and other operating expenses	768,248,092.28
Payment of obligations	536,465,158.85
Payment of Inter-Agency Payables	26,228,915.26
Advances to officers and employees	211,598,296.43
Guaranty Deposits	1,952,164.80
Prepaid Expenses	(43,105.03)

**Total cash outflows** 1,590,605,570.67

**Net cash from (used in) operating activities** (948,661,178.26)

**Cash flow from investing activities**

**Cash inflows**

Dividend Income	0.00
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**Total cash inflows** 0.00

**Cash outflows**

Purchase/acquisition of property, plant and equipment	6,107,175.15
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**Total cash outflows** 6,107,175.15

**Net cash from (used in) investing activities** (6,107,175.15)

**Net increase in cash and cash equivalents** (954,768,353.41)

**Cash and cash equivalents, December 31, 2014** 1,540,005,975.46

**Cash and cash equivalents, December 31, 2015** 585,237,622.05

Certified Correct:

  
JOSELITO V. GREGORIO  
Manager, Finance Department