

BASES CONVERSION AND DEVELOPMENT AUTHORITY

AGENCY ACTION PLAN and STATUS of IMPLEMENTATION
Audit Observations and Recommendations
For CYs 2019 and Prior Years
As of 02 December 2020

Item No.	Reference	Audit Observation	COA Audit Recommendations/ Actions to be Undertaken by BCDA	Agency Action Plan			STATUS	Reason for Partial / Delay / Non- Implementation, if applicable	Action Taken / To Be taken
				Action Plan	Personnel/ Dept Responsible	Target Implementation Date			
						From			
2019.01.01	CY2019 COA AAR Observation No.01, pages 81-83	The Authority was not able to collect from MEGAWORLD the Minimum Annual Secured Revenue Share (MASRS) of P873,414,165 for CY 2018 and 2019, or a total of P1.747 billion, thereby depriving BCDA of valuable cash inflows. Moreover, interest due on delayed/non-repayment of MASRS was not taken up in the books resulting in understatement of Receivable by P216,655,235.93.	1. Prepare a necessary entry to recognize the interest of P216.655 million for the delayed payment of the MASRS.	•Recognized the interest of Php216.655 million for the delayed payment of the MASRS.	IFMG SAPMD/ACD		Oct 30, 2020	IMPLEMENTED Recognized the interest in the books of BCDA. (Please see attached AR Register)	
2019.01.02			2. Explain why BCDA was not able to draw from the Security provided by MEGAWORLD the unpaid MASRS; and	•Submit explanation to COA why BCDA was not able to draw from the Security provided by MEGAWORLD the unpaid MASRS.	OEVP IFMG- SAPMD		Sep 30, 2020	IMPLEMENTED Due to pending dispute, BCDA could no longer draw from the Security since it was already expired and it is only good for a period of one year from issuance. However, BCDA, constantly reminded Megaworld to procure the required bonds and submit to BCDA in accordance with JVA.	
2019.01.03			3. Exhaust all possible means to collect the MASRS and interest due from MEGAWORLD, otherwise a Notice of Charge shall be issued.	• BCDA/Megaworld shall engage an independent third party to come up with proposed settlement subject to approval of the BCDA Board.	OEVP IFMG- SAPMD		On going	IMPLEMENTED BCDA has engaged an independent third party (Deloitte) to come up with revised computation of MASRS due BCDA. Proposed settlement is for presentation to the Board for approval	<ul style="list-style-type: none"> Proposed settlement to be presented to Board for approval. Negotiate with Megaworld.
2019.02.01	CY2019 COA AAR AO No. 02, pages 84-86	The qualitative characteristic of verifiability of Withholding Tax at Source was not established due to the variance between the amount in the Annual Income Tax Return (BIR Form 1702) and the balance per books amounting to P144.141 million; and unsupported Creditable Withholding Tax (CWT) totaling P49.044 million.	1. Require the Accounting Division to make necessary reconciliation on the amount reported as creditable withholding tax in the Annual Income Tax Return with the balance per accounting records and adjustments should be made if warranted;	<ul style="list-style-type: none"> Prepare and submit reconciliation on the amount reported as creditable withholding tax in the Annual Income Tax Return with the balance per accounting records. Make necessary adjustments. 	IFMG - ACD SAPMD		Oct. 30, 2020	IMPLEMENTED Submitted reconciliation of balances per books and the amount reported in CWT returns was reported to COA. Adjusted the entries to recognize the variance between the	

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							amount reported in AITR and balance per accounting records.			
2019.02.02			2. Ensure and instruct all personnel who are authorized to record/input CWT in the accounting system to secure the required certificate of creditable withholding tax for all taxes withheld and submit the same to the Accounting Division for custody and monitoring; and	<ul style="list-style-type: none"> Adopt a system/ process to mitigate the non-issuance of CWT from the payor/s. (see BCDA response on COA AOM No. 20 dtd July 22, 2020.) 		Aug 31, 2020	IMPLEMENTED The system is being implemented. SAPMD/ TPFD shall notify the payors that SOA will be issued to them, for the amount they deducted from their payments, if the CWTs are not submitted to BCDA within the prescribed period.		<ul style="list-style-type: none"> Monitoring of the implementation of the system. 	
2019.02.03			3. Submit to the Audit Team all additional BIR Form 2307, if any, for audit and verification.	<ul style="list-style-type: none"> Require payors to submit lacking CWTs Compile and submit the CWTs for COA verification 		Oct 26, 2020	IMPLEMENTED Additional CWTs submitted to COA. (Please see attached list of CWTs that were submitted to COA)			
2019.03.01	CY2019 COA AAR Observation No. 03, pages 87-89	The share of BCDA from the gross revenues of Clark International Airport (CRK) operations totaling P53.824 million was not recorded in the Authority's books of accounts resulting in the understatement of receivables and service	1. Recognize in the books of accounts the income earned in accordance with PAS 1 and Conceptual Framework for Financial reporting; and;	Recognize the additional variable share of P53.824 million thru a JV.	SAPMD	Aug 31, 2020	IMPLEMENTED The additional variable share of P53.824 million was already booked by BCDA under Journal Voucher No. 041847 dated 31 December 2019.			

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2019.03.02		concession revenue by the same amount. Moreover, there was a delay in the remittance of revenue to BCDA from 22 to 79 days contrary to the O&M Agreement which prescribes payment to be made no later than 15 days after the end of each quarter.	2. Enforce the immediate remittance of service concession fee from LIPAD in accordance with the terms of payment prescribed in the agreement.	BCDA will monitor and reconcile accounts with LIPAD on a quarterly basis to ensure prompt recording and collection of BCDA's revenue shares.	SAPMD			IMPLEMENTED (see attached letter to LIPAD, 20 Feb 2020) A letter was issued to LIPAD reminding it to submit the required financial revenue reports on time bearing the required information under the O&M Contract. (Please see letter to LIPAD dated 20 Feb 2020)	Monitor/ enforce the succeeding collection of BCDA revenue shares from LIPAD and record the same accordingly.
2019.04.01	CY2019 COA AAR Observation No. 04, pages 89-91	The presence of long outstanding accounts payable totaling P38.719 million rendered the balance of Accounts Payable account doubtful and not in compliance with Paragraphs 15 and 69 of PAS 1.	1. Evaluate thoroughly the validity of long outstanding balances under Accounts Payable and Due to Officers and Employees by determining whether actual services had been rendered/goods had been delivered.	<ul style="list-style-type: none"> Perform regular monitoring of AP and determine their status whether actual services had been rendered/goods had been delivered. 	ACD		Aug 31, 2020	IMPLEMENTED (Please see attached) Adjustments were made to the long outstanding APs and Due to Officers and Employees that were determined to be valid yet the services/goods had been rendered/delivered.	Continue monitor/e valuate AP aging on quarterly basis to ensure validity of outstanding A/P.
2019.04.02			2. Make the necessary adjustment to all payables that have been no supporting documents and outstanding for more than two years; and	<ul style="list-style-type: none"> Prepare JVs for the adjustment of other long outstanding and unconfirmed payables from the legacy system. 	ACD		Sep 30, 2020	IMPLEMENTED (Please see attached letter to COA dated 17 Aug 2020) Other long-outstanding and unconfirmed payables from the legacy system had been closed to Retained Earnings.	
2019.04.03			3. Reclassify to noncurrent liability accounts all obligations that are not qualified to be reported as current liability.	<ul style="list-style-type: none"> Reclassify when it is necessary. 	ACD		Aug. 31, 2020	IMPLEMENTED Reclassification of current liability account accounts to non-current is being done when they are beyond 12 months or when it is necessary.	Quarterly monitoring of liabilities.
2019.05.01	CY2019 COA AAR	The variance between the balance per books and the Annual Physical Inventory Report of the Property	Require the continuous periodic reconciliation between Accounting and Property	<ul style="list-style-type: none"> Conduct quarterly reconciliation between the 	ACD PPMD		Aug 31, 2020	IMPLEMENTED (see attached schedule and Trial Balance, JV)	Quarterly monitoring of reconciliation of records between ACD and PPMD.

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	Observation No. 05, page 91	and Equipment account amounting to P4.045 million, casts doubt on the accuracy of Property and Equipment presented in the financial statements.	records to ensure that all differences are immediately investigated, cleared and reconciled with the books of accounts; and prepare the necessary journal entries, if warranted;	Accounting and Property records.				The analysis and reconciliation of fixed assets vs. physical inventory had been completed, and adjusting entries already recorded.		
2019.06-01	CY2019 COA AAR Observation No. 06, pages 92-97	The fair representation of liability accounts could not be ascertained due to the abnormal debit balance in their Subsidiary Ledgers (SLs) amounting to P1.664 million, which is not in accordance with PAS 1.	Make necessary adjustments on the balances or reclassify the negative balances to receivable accounts, whichever is applicable, if necessary.	Prepare JVs to effect the adjustments of liability accounts with debit balances and the unsupported but recorded claims of payees	ACD		Aug. 31, 2020	IMPLEMENTED (see attached JVs) Adjustments were made for the liability accounts with debit balances and those unsupported accounts.	Quarterly monitoring of long outstanding Aps.	
2019.07.01	CY2019 COA AAR Observation No. 07, pages 93-97	The grant of Financial Assistance to Project-Affected Persons (PAPs) in New Clark City <u>lacks proper authority/ has no legal basis.</u>	1. Discontinue the grant of Financial Assistance to PAPs.	Discontinue the granting financial assistance to PAPs until the submission of legal basis acceptable to COA.	ACD		Aug 13, 2020	IMPLEMENTED The grant of FA to PAPs was discontinued starting August 13, 2020		
2019.07.02			2. Explain and/or justify why the grant of financial assistance to the NCC PAPs should not be considered as irregular use of government funds.	Submit to COA the justification why the grant of financial assistance to the NCC PAPs should not be considered as irregular use of government funds	LSG		Aug 31, 2020	IMPLEMENTED. (Please see attached Sur-Rejoinder.) <ul style="list-style-type: none"> BCDA's authority stems from its mandate under R.A. No. 7227, as amended, to convert former Clark and Subic military reservations and their extensions into alternative productive uses. BCDA grants financial assistance to PAPs based on sound business judgment, a power necessarily implied in the exercise of the express powers of BCDA (Sec. 5[n], R.A. No. 7227). 		

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								<ul style="list-style-type: none"> The BCDA Board acted with great caution and applied prudence and extra diligence from the determination of beneficiaries up to the application and release of financial assistance. The OGCC recognizes the authority of BCDA, as a GOCC, to exercise its business prerogatives in granting financial assistance to PAPs. 		
2019.08.01	CY2019 COA AAR Observation No. 08, pages 97-105	The construction of the Sports Facilities used during the South East Asian (SEA) games, which was procured through JV, although the terms fall under the Build-Transfer Scheme of RA 6957 as amended by R.A. No. 7718 or the Philippine Build-Operate-and-Transfer (BOT) Law, is prejudicial to the interest of the government.	Submit computations on how the project cost of the sports facilities was arrived.	Submit computation with explanation/ justification to COA for its evaluation.	BDD BDOG		Aug 31, 2020	<p>IMPLEMENTED (Please see attached Sur-Rejoinder.)</p> <ul style="list-style-type: none"> The initial project cost submitted by MTD Capital Berhad for the development of NGAC was P121.8 Billion. After preliminary discussion with inputs from BCDA's transaction adviser, the Asian Development Bank (ADB), MTD submitted a revised proposal with a total project cost of P35.7 Billion. After a series of negotiations with the guidance of ADB, BCDA was able to lower the total project cost to P12.695 Billion, P8.510 Billion of which pertains 		

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							<p>to the Sports Facilities broken down as follows:</p> <p>Athletics Stadium – P3.360 Aquatics Center – P2.128 Athlete’s Village – P1.776 Parks and Roads – P1.246</p> <p>This shows that the Sports Facilities formed part of the long-term planning of New Clark City and the NGAC, which includes a legacy plan for the use of these facilities.</p> <ul style="list-style-type: none"> BCDA paid MTD Capital Berhad a total of P9.539 Billion for the Sports Facilities because part of the payment to the developer is the financing cost with the agreed interest rate of 7.5%, which is fair and reasonable, effective from the start of the construction until the full payment of the Sports Facilities in accordance with the JVA, thus: <p>Sports Facilities – P8.510 Financing Cost – P579M ICT (VOs) – P450M</p> <ul style="list-style-type: none"> The unsolicited proposal complied with the rigorous process of 		

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								competitive selection because it was subjected to a "Swiss" Challenge pursuant to BCDA's JV Guidelines.		
								<ul style="list-style-type: none"> • Copy of the Detailed Computations for the PhP 8.510 and the VOs are attached as Annex "A". • In Special Economic Zones, BCDA's property development/disposition framework is either sale, lease or JV to maximize revenue potential and property values • BOT entails 350 days to process unsolicited proposal including the right to match by the original proponent, while BCDA JV Guidelines requires 240 days to process unsolicited proposal including the competitive challenge and the original proponent's right to outbid, this enables BCDA to meet the hard deadline for the development of the Sports Facilities in time for the Philippines' 		

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								hosting of the 30th SEA Games • The BCDA intends to earn or profit from the operations of the JV and at the same time, participate in the management of the JV. Under the draft JV agreement for the Project, the BCDA is entitled to at least 1 seat in the board of directors or executive committee of the JV. Further, the BCDA has the right to designate the vice president and the treasurer of the JV. These rights are usually seen in a JV agreement and not in a concession agreement under the BOT Law. In a concession agreement under the BOT Law, the management rights of a grantor agency are usually limited to oversight functions to ensure that the project proponent meets the key performance indicators and complies with the minimum performance standards and specifications in the concession agreement. • The JV will be set up as an ongoing concern		

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								<p>(i.e., operated as a business) intended to develop the entire Phase 1 of the NGAC as and when required by the transfer of government agencies to the NGAC, and is not merely for the purpose of constructing the initial infrastructure identified in the draft JV agreement.</p> <ul style="list-style-type: none"> • A JV, rather than one of the schemes under the BOT Law, is the more appropriate vehicle because a JV is a pooling of resources by one party (in this case, BCDA) and expertise by the other (in this case, MTD) into a new entity (incorporated or unincorporated) to enable the parties to pursue an activity jointly through such entity. The schemes under the BOT Law typically involve the government merely transferring an asset to the private party, who will be free to pursue the activity (which is normally conducted by the government) on its own (not jointly with the government) through a 		

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							concession or similar agreement. (Please see attached Legal Note from the legal adviser of the ADB.)			
2019.08.02			Justify the choice of developing the Sports Facilities under the Joint Venture which resulted in government paying an additional cost of money; and	Submit justification on the choice of developing the Sports Facilities under the Joint Venture which resulted in government paying an additional cost of money; and	BDD/BDOG	Aug 31, 2020	<p>IMPLEMENTED (Please see attached Sur-Rejoinder.)</p> <ul style="list-style-type: none"> BCDA secured the lowest possible cost for the construction of world-class Sports Facilities for the SEA Games when it negotiated the inclusion thereof in the NGAC development project, thereby securing the most advantageous agreement for the government. BCDA is very confident in the close guidance provided by its transaction adviser, the ADB, and its legal counsel in determining that a JV is the best mode to develop the NGAC Phase 1A Project, including the Sports Facilities and is the most advantageous arrangement for the government. 			

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								<ul style="list-style-type: none"> The Office of the Government Corporate Counsel (OGCC) confirmed the legality of and endorsed the aforementioned recommendation of the ADB in its Opinion No. 182 dated 02 October 2018. The construction cost for components of the project had undergone a rigorous assessment and negotiation with costs that are lower than the cost of construction of similar internationally-certified sports facilities, with benchmarks attached as Annex "C". Twin development stimuli concept (NGAC + Sports City) is a sound marketing strategy to put the NCC development on the map. The revenue-generating elements (commercial, hotels, condos, etc.) will be needed to augment the revenue streams. The 		

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								<p>sports facilities with revenue generating elements could be the main drivers of the development over time.</p> <ul style="list-style-type: none"> As a result of the negotiations, BCDA significantly lowered the project cost from Php 35.709 Bn to Php 12.695 Bn. This in turn, also lowered BCDA's payment obligations from 46.8 Billion in total over 12 years to 2.2 Billion per year (total: 11 Billion) over 5 years for Sports Facilities. The amount is based on the following: <ul style="list-style-type: none"> (i) 7.5% debt interest rate, provided, that any savings below deemed 7.5% interest payment shall be split between BCDA and MTD at 90:10; and (ii) total project cost of Php12.695 Billion, exclusive of value-added tax (VAT), with the following components: <ul style="list-style-type: none"> Athletics Stadium – P3.360 		

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								Aquatics Center – P2.128 Athlete’s Village – P1.776 Parks and Roads – P1.246 Government Residences - P1.555 Government Offices - P1.780 Commercial (Support Service Centers) - P850		
2019.08.03			Refrain from combining incompatible PPP frameworks, which are governed by different laws, on future projects.	Submit justification of the legal framework applied.	BDD BDOG		Aug 31, 2020	IMPLEMENTED (Please see attached Sur-Rejoinder.)		
2019.09.01	CY2019 COA AAR Observation No. 09, pages 105-107	The Sports Facilities, planned/conceptualized by BCDA, was negotiated into an unsolicited proposal rather than going through competitive bidding following the process applicable for solicited projects gave MTD an undue advantage and negatively <u>affects the competitiveness of the bidding.</u>	Strictly adhere the procedures for solicited projects as prescribed by RA 9184 or RA 6957, whichever is applicable.	Submit justification on the negotiated into an unsolicited proposal.	BDD BDOG		Aug 31, 2020	IMPLEMENTED (Please see attached Sur-Rejoinder.) <ul style="list-style-type: none"> No undue advantage was given to MTD Capital Berhad. The unsolicited proposal still complied with the rigorous process of competitive selection because the same was subjected to a “Swiss” Challenge pursuant to BCDA’s JV Guidelines. The Competitive Challenge was done through a very transparent manner and all processes made were above board. MTD’s original unsolicited proposal included the regular sports facilities (track and field/open stadium) which shall be implemented by 2021 		

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									<p>(located in Block D of the proposed NGAC with an area of 10 hectares and an estimated cost of PhP4.37Billion).</p> <ul style="list-style-type: none"> The upgrade of the sports facilities to international standard-sports venues were part of the JV terms negotiated by BCDA and MTD pursuant to the BCDA JV Guidelines. The JV negotiated terms included the completion and the international-accreditation/certification of the sports facilities for the country's hosting of the 2019 SEA Games. MTD's acceptance of the JV agreed terms came with the risk of not being able to complete the SEAGames sports facilities in due time, which may constitute breach of the joint venture agreement. The agreed terms were then subjected to Swiss/Competitive Challenge to which the subject of the

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								Competitive Challenge is the BCDA Annual Payments for Sports Facilities for 5 years starting from the scheduled completion of construction (2019).		
2019.10.01	CY2019 COA AAR Observation No. 10, pages 107-109	The provisions in the subject Joint Venture Agreement (JVA) involving expenditure of public funds, was executed without prior appropriation of funds contrary to Section 85 of PD 1445 which <u>would deem the contract void.</u>	Submit all the necessary documents to prove that appropriations were made prior to the execution of the Joint Venture Agreement.	Submit documents to justify or prove that appropriations were made prior to the execution to the joint venture agreement.	BDD BDOG			IMPLEMENTED (Please see attached Sur-Rejoinder.) • Initially, BCDA intended to use the revenues to be generated from its projects and corporate funds to pay for the development of NGAC Phase 1A. There is no express prohibition for BCDA to use its Corporate Operating Budget to pay for the Sports Facilities. • Nevertheless, although BCDA had the funds to pay for the Sports Facilities, it opted to, with the inclusion by the	•	

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							<p>Department of Budget and Management (DBM) of the project in the National Expenditure Program and the approval of Congress, tap the GAA to spend for the Sports Facilities. BCDA was able to free up the funds allocated for the Sports Facilities to fund other projects like the Clark International Airport and Luzon Bypass.</p> <p>BCDA's obligation to pay MTD Capital Berhad for the Sports Facilities arose only after the completion thereof and upon acceptance by BCDA.</p>		
2019.10.02			Justify their action on why they opted to pay JV within CY 2019 considering that MTD could have shared in the losses that might be incurred from the project inasmuch as there was no proof of validity for the Sports Facilities.	Submit justification on the action why opted to pay JV within CY 2019 considering that MTD could have shared in the losses that might be incurred from the project inasmuch as there was no proof of validity for the Sport Facilities	BDD BDOG		<p>IMPLEMENTED (Please see attached Sur-Rejoinder.)</p> <ul style="list-style-type: none"> • Under the JVA, BCDA has the option to pay the annual installments during a shorter period and through the following modes: <ol style="list-style-type: none"> a. Amounts paid to BCDA under Sec. 4.9 (Sharing of Gains and Losses) b. Cash payments either thru BCDA's Corporate Operating 		<ul style="list-style-type: none"> • The world class Sports Facilities were planned and developed not only for the SEA Games, but part and parcel of the long-term legacy plan for New Clark City. • Under Executive Order (EO) No. 119, "Establishing a National Government Administrative Center in New Clark City, Capas, Tarlac, Providing for an Integrated Government

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								Budget and/or General Appropriations Act. <ul style="list-style-type: none"> In the exercise of sound business judgment, BCDA decided to pay the Sports Facilities in just 2 installments to avail of the savings amounting to P1.911 Billion, as allowed in the JVA between BCDA and MTD Capital Berhad. BCDA did not incur additional expenses for the government but actually secured a very favorable agreement for the NGAC Phase 1A development and saved the government the amount of P1.911 Billion. 	Center Outside the National Capital Region in Case of Disaster, and Directing the Whole-of-Government to Establish Satellite Offices Therein,” BCDA is mandated to assist concerned government agencies in securing advantageous, cost-efficient, and flexible logistical and financial arrangements relative to the establishment of their respective satellite or field offices at the NGAC. <ul style="list-style-type: none"> R.A. No. 11470, otherwise known as The National Academy for Sports, mandates that the campus of the National Academy for Sports (NAS) System shall be constructed at New Clark City. BCDA is directed to provide the land for the site by way of usufruct. The Senate of the Philippines approved on 26 November 2020 the proposed 2021 budget of BCDA, which includes the P729 Million budget 	

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										for the construction of the NAS. • Apart from the NAS, New Clark City will also be home to top universities that have sought to expand their campuses. These universities will be located near the internationally-certified sports facilities, which they can use for their sports programs and activities. • The University of the Philippines has already put up and is managing the Philippine General Hospital Satellite for Sports Medicine and Wellness near the sports facilities. • R.A. No. 11214 or the Philippine Sports Training Center Act was likewise enacted in 2019, which establishes the Philippine Sports Training Center. BCDA and the Philippine Sports Commission are already discussing to set up the first and main training center in the NGAC, adjacent to the

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									<p>Sports Facilities in order to complement the country's sports training program.</p> <ul style="list-style-type: none"> • Several competitions and trainings are already being eyed to be conducted by different organizations, as expressed to BCDA both through written and verbal communication, such as: <ol style="list-style-type: none"> a. Asian Swimming Championships of the Asian Amateur Swimming Foundation; b. Aquatics Training Bubble of the Philippine Swimming Inc.; c. 2021 National Open Championships and Training Bubble of the Philippine Athletics Track and Field Association, Inc.; d. 2020 World Skills ASEAN Skills Competition of the Technical Education and Skills Development Authority; e. Clark National Football Academy and Philippines Football League of the

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									Philippine Football Federation; f. UAAP Swimming Competition of the University Athletic Association of the Philippines; g. Inter-Central Bank Games of the Banko Sentral ng Pilipinas; and h. The Clark Triathlon of BCDA.	
2019.11.01	CY2019 COA AAR Observation No. 11, page 110-111	The Negotiated procurement covering Lease of privately-owned real property intended as temporary housing facilities for the PN officers affected by the land disposal was not compliant with Sec. V (D) (9) of Annex H of the 2016 Revised Implementing Rules and Regulations (RIRR) of RA 9184 otherwise known as the Government Procurement Reform Act. As a result, there was no assurance that BCDA obtained the most reasonable and advantageous price offer.	Ensure that the conduct of Negotiated Procurement as an alternative mode of procurement adopted should adhere to the principle of transparency, accountability, equity, efficiency and economy in its procurement process. Strictly comply with the Guidelines on Lease of Property outlined under Sec V(D) (9) of Annex H of the RIRR of RA 9184. Consider economy as a factor in the selection of location of real property leased. In all instances the procuring entity should ensure that the most reasonable and advantageous price for the government is obtained.	Submit justification that the negotiated procurement covering the privately owned real property for the lease of PN Temporary Housing facilities of the Senior Officers affected by the construction of the new Senate Building in Fort Bonifacio adhered to the principle of transparency, accountability, equity, efficiency and economy in its procurement process.	LSG BAC-G BRAD		Aug 31, 2020	IMPLEMENTED (Please see attached letters to COA dated June 25 and 27, 2020) BCDA complied with the Guidelines on Lease of Property as shown by the following; BCDA sent the Requests for Quotation to three (3) prospective bidders namely a) Avida; b) DMCI and c) Robinsons. The Requests for Quotation was published in the BCDA website and Phil-geps during the procurement process. Negotiations were conducted with the proponents as evidenced by the Highlights of Negotiations. (% hedda.		

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								Pls submit all the aforementioned docs) a. The facilities should not be considered as extravagant since these housing facilities are at most, comparable to what the Philippine Navy has been providing to the dislocated officers. This did not give the dislocated officers more benefit than what they already have in their former housing facilities. The terms and conditions of occupancy and the qualification of occupants are governed by the PN Housing Policies and is managed by the PN Housing Board. • Submitted the market analysis indicating the criteria used in determination of the location of temporary housing facilities • Complied to the PN requirements for the selection of the location, as follows: a. The location of the temporary housing facilities should be within 10km away from Philippine Marine Headquarters and Bonifacio Naval		

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								Station in Fort Bonifacio b.The location of the temporary housing facilities should be within the cluster or one area so that the security of the Senior Officers will not be affected c.The temporary housing facilities should comply with the minimum requirements of the DND/AFP Circular No. 6 dated 01 April 2019 "Management Administration of Armed Forces of the Philippines (AFP) On-Base Housing Program	
2019.11.02			Prepare technical specifications considering the rating factors prescribed under the above cited RIRR. The technical specification should be considered in the determination of the responsiveness and reasonableness of the price quotation offered by the prospective Lessors; and	Submit the rating factors in the selection of location of real property pursuant to RA 9184 and PN requirements for the provision of housing facilities to the Senior Officers pursuant to DND/AFP Circular No. 6 dated 01 April 2019 "Management Administration of Armed Forces of the Philippines (AFP) on-Base Housing Program Provide the table of rating factors pursuant to RA 9184 and in accordance to the PN and BCDA technical	LSG BAC-G BRAD	Aug 31, 2020	IMPLEMENTED (Please see attached letters to COA dated June 25 and 27, 2020) Submitted the technical specifications of the rating factors prescribed in RIRR. BCDA complied with the technical specifications prescribed in DND/AFP Circular No. 6, which was the basis in the determination of the pricing of the temporary housing units. Page 3 of the said circular specified		

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				specifications and DND/AFP Circular No. 6 dated 01 April 2019				the standard design and specifications of the quarters based on the grade/rank of the AFP personnel as follows: General/Flag Rank Officer – 180 sq.m. Field Grade Officer (Major to Colonel) – 160 sq.m. Company Grade Officer – 120 sq.m. Senior NCO – 100 sq.m. Junior NCO – 80 sq.m.		
2019.12.01	CY2019 COA AAR Observation No. 12, pages 111-114	Rental rates of townhouses and condominium units as temporary housing facilities for the PN Flag Officers and Senior Officers are excessive / extravagant as contemplated under COA Circular No.2012-003 dated October 29, 2012.	Revisit the procurement procedures undertaken by the BAC. In view of non-compliance with the prescribed procedures in the conduct of negotiated procurement covering the Lease of PN housing facilities resulting to impropriety of the transaction, consider any legal remedies as warranted in the Lease Agreement for possible termination of the Lease.	BCDA to justify substantial compliance with the prescribed procedures in the conduct of negotiated procurement.	LSG BRAD		Sept 15, 2020	IMPLEMENTED (Please see attached letters to COA dated June 25 and 27, 2020) Submitted the BAC Resolution indicating the failure of the bidding and the negotiation conducted with the individual prospective lessors.	• Procurement process undertaken has been revisited.	
2019.12.01	CY2019 COA AAR Observation No. 12, pages 111-114	Rental rates of townhouses and condominium units as temporary housing facilities for the PN Flag Officers and Senior Officers are excessive / extravagant as contemplated under COA Circular No.2012-003 dated October 29, 2012.	Revisit the procurement procedures undertaken by the BAC. In view of non-compliance with the prescribed procedures in the conduct of negotiated procurement covering the Lease of PN housing facilities resulting to impropriety of the transaction, consider any legal remedies as warranted in the Lease Agreement for possible termination of the Lease.	BCDA to justify substantial compliance with the prescribed procedures in the conduct of negotiated procurement.	LSG BRAD		Sept 15, 2020	IMPLEMENTED (Please see attached letters to COA dated June 25 and 27, 2020) Submitted the BAC Resolution indicating the failure of the bidding and the negotiation conducted with the individual prospective lessors.	• Procurement process undertaken has been revisited.	

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2019.13.01	CY2019 COA AAR No. Observation No. 13, pages 114-115	The relevant documents forming part of the MOA between BCDA and the DND/AFP for grant of temporary housing facilities to affected/displaced PN Officers were inconsistent with its terms and conditions stipulated therein.	Submit the computation or the result of Market Analysis on determining the ABC for the Lease of Temporary Housing Facilities for PN Officers to support the amount included in the FY 2019 COB.	Submit the result of the Market Analysis on determining the ABC for the lease of PN Temporary Housing facilities of the Senior Officers pursuant to RA 9184 and to support the amount included in the 2019 approved budget	LSD BRAD	Aug 31, 2020	IMPLEMENTED (Please see attached letters to COA dated June 25 and 27, 2020) Submitted the market analysis indicating the criteria used in determination of the location and ABC for the lease of temporary housing facilities for the PN Senior Officers to support the budget included in the 2019 COB.		
2019.13.02			1. Provide a complete Schedule of Monthly Rentals for the 44 beneficiaries	Submit the complete schedule of monthly rentals for the 26 beneficiaries since some of the Senior Officers were relocated inside the military base due to high risk exposure on the concerned military officials		Aug 31, 2020	IMPLEMENTED (Please see attached as stated in Observation No. 11.) Submitted the monthly rentals for the 26 beneficiaries since some of the Senior Officers were relocated inside the military base due to high risk exposure on the concerned military officials.		
2019.13.03			2. Submit the required Certificate of Availability of Fund (CAF) for the MOA between BCDA and AFP/DND; and	Submit the required Certificates of Availability of Fund (CAF) for the lease agreements pursuant to the MOA between BCDA and DND/AFP		Aug 31, 2020	IMPLEMENTED (Please see attached documents as stated in Observation No. 11.) Submitted the Certificates of Availability of Fund (CAF) for the lease agreements pursuant to the MOA between BCDA and DND/AFP.		

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2019.13.04			3. Ensure compliance with the applicable laws, rules and regulations governing contracts in government.	Ensure compliance with the applicable laws, rules and regulations governing contracts in government.			IMPLEMENTED (Please see attached documents as stated in Observation No. 11.) BCDA complied with the applicable laws, rules and regulations in the procurement for lease of temporary units for PN officers.			
2019.14.01	CY2019 COA AAR Observation No. 14, 115- 118	The non-compliance with some of the provisions in the Business Agreement (BA) entered into by and between BCDA and MNTC resulted in non-assurance that all operation and maintenance requirements for SCTEX were undertaken and complied by the Concessionaire. a. The Annual Performance Review Criteria (APRC) was not used in evaluating the Status Report submitted by MNTC for 2019 which is not in accordance with Section 9.3.2 of the BA. Moreover, the review was not made in a timely manner.	1. Ensure compliance with the Business Agreement by evaluating the Status Report in a timely manner and in accordance with the Annual Performance Review Criteria.	Require MNTC to submit Status Report in accordance with the Annual Performance Review Criteria in a timely manner for BCDA's evaluation.	SAPMD		IMPLEMENTED (Pls. see attached monthly reports from MNTC) Status Report will be submitted by MNTC 20 Business Days before Dec 31, 2020. SAPMD has developed an evaluation tool to be used in validating the Status Report once submitted.		In addition to enforcing the timely submission of MNTC reports, SAPMD prepared a report template that MNTC will be required to accomplish to ensure and facilitate validation of compliance to the SQLs and the APRC provided in the BA.	
2019.14.02		b. Some of the documents submitted by MNTC to BCDA were not made within the reglementary period set forth under BA.	2. Require the Concessionaires to submit all the reports within the reglementary period set forth in the Agreements.	Enforce the submission of all the reports within the reglementary period set forth in the Agreement. Conveyed to LIPAD and MNTC the timely submission of their reports based on the Agreement.	SAPMD		IMPLEMENTED (Please see attached monthly reports of MNTC) MNTC was notified via email (July 17, 2020) that it must comply with the submission of monthly reports within the period required under the BA. Since then, MNTC submitted the reports on time – Regular monitoring is being implemented.		Submit to COA the monthly reports MNTC.	
2019.15.01	CY2019 COA AAR	The information in the Report on Operation and Maintenance submitted by Luzon International	Require LIPAD to submit reports with complete information in accordance with the Concession	Instruct LIPAD to submit reports with complete information in accordance to	SAPMD		IMPLEMENTED		Regular monitoring of compliance of LIPAD	

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	Observation No. 15, pages 118-119	Premiere Airport Development Corp. (LIPAD) for Clark International Airport (CRK) is incomplete, thus, it could not be determined whether or not LIPAD has complied with its obligations and the requirements under the O&M Concession Agreement.	Agreement to ensure compliance of LIPAD to operation and maintenance requirements for CRK.	CA and ensure that compliance of LIPAD to operation and maintenance for CRK				BCDA sent a letter of instruction to LIPAD to comply with the timely submission of the reports (Please see letter to LIPAD dated 20 February 2020)		
2019.16.01	CY2019 COA AAR Observation No. 16, pages 119-120	BCDA allowed private individuals to occupy the 21 units of ASEAN Villas without perfected lease agreements.	1. Stop the practice of allowing private individuals to take-over government properties without executed contracts.	In principle and in practice, BCDA does not allow private individuals to occupy government properties without signed contracts.	BDD BDOG			IMPLEMENTED <ul style="list-style-type: none"> The engineers from BDOG validated that only the lessees with signed Contracts of Lease are occupying the ASEAN villas. Upon checking thoroughly, there is no instance that BCDA allowed any party to occupy a villa without a signed contract of lease. BCDA turns-over the villa to the lessee only upon payment of deposit and signing of the contract. 		
2019.16.02			2. Expedite the execution of contract of lease for the remaining ASEAN Villas.	Repairs were undertaken on the remaining villas and an ocular inspection is to be scheduled so that the prospective lessees could already sign the Certificate of Turn-over	LSG	On-going		PARTIALLY IMPLEMENTED An ocular inspection is to be conducted with the lessees for them to inspect the condition of the ASEAN villas, in coordination with CDC.. Once they are satisfied, the lessees will sign the Certificate of Turnover and the remaining		

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2019.16.03			3. Submit copy of the contracts within five working days from the execution to the Office of the Auditor, in accordance with COA Circular No 2009-01, for auditorial and legal review.	BCDA shall furnish COA with copies of the lease agreements for the succeeding leases within 5 days	LSG		Nov. 30, 2020	PARTIALLY IMPLEMENTED 14 Contracts of Lease submitted to COA. 5 contracts of lease will be executed within this year.	Contracts of Lease will be transmitted to COA.	
2019.17.01	CY2019 COA AAR Observation NO. 17, pages 120-122	Several parcels of lot obtained through Right of Way (ROW) acquisition valued at P139,303,028.50 were not covered with Transfer Certificate of Titles (TCTs) in the name of BCDA despite payments made to respective lot owners.	1. Ensure strict compliance in the submission of required supporting documents before making any payment as clearly stated in the procedures adopted in ROW acquisition and as required under COA Circular 2012-001; and	Payment of RROW acquisition shall only be processed when all the required documents are complied with and submitted to the Accounting Dept.	COMREL		On going	PARTIALLY IMPLEMENTED Of the 21 partially affected lots, 12 are now titled to BCDA, 9 are still for segregation. (Please see attached TCTs)	Still awaiting for the approved subdivision plan from DENR	Final payments shall only be processed and released to the concerned lot owners once the DOAS is executed and the corresponding TCT is annotated.
2019.17.02			2. Make constant written follow up with Register of Deeds on the processing of the annotated TCTs for titling in BCDA's name.	Aside COA's advised to make constant written follow up with the RD/DENR on the processing of annotated TCTs for titling in BCDA's name, personal follow up with the RD/DENR will be done regularly. We will also regularly apprise the COA on the status of titling.	LADD			IMPLEMENTED Assigned LADD personnel has been constantly coordinating with DENR and RD for the processing of TCTs.		Continue this procedure until desired outcome is reach
2019.18.01	CY2019 COA AAR Observation No 18, pages 123	Unserviceable PE costing P35.557 million were not yet disposed as of year-end which is not in accordance with Section 79 of PD 1445, thereby resulting in possible loss due to further deterioration of the properties.	1. Ensure that the Disposal Committee expedite the preparation of Inventory and Inspection Report of Unserviceable Property (IIRUP), thereafter, undertake immediate disposal procedures in accordance with PD 1445	Prepare IIRUP and submit to COA Derecognize the unserviceable movable properties in the BCDA accounting books	PPMD		Oct 30, 2020 Oct. 30, 2020	IMPLEMENTED Submitted IIRUP to COA (Please see attached document) IMPLEMENTED (see attached JV)		

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			and COA Circular No. 89-296 dated January 27, 1989, to avoid further deterioration and devaluation of the unserviceable properties.	Disposition Committee shall start the conduct of bidding for the disposition of unserviceable properties: (a) BCDA vehicles (b) Other movable assets				(a) IMPLEMENTD BCDA vehicles disposed thru donation (b) PARTIALLY IMPLEMENTED Preliminary inventory of movable properties for disposition was conducted	Delay due to community quarantine imposed by the government	
2019.19.01	CY2019 COA AAR Observation No. 19, pages 123-125	Gender and Development: a. The approved GAD Budget of P6 million is non-compliant with the requirements under Philippine Commission on Women (PCW)-NEDA-DBM Joint Circular No. 2012-01. b. There was low utilization of GAD Budget despite the fact that the budget of P6M was minimal. c. Non Compliance with the recommendations of the Philippine Women Commission (PCW).	1. Comply with Sec. 6.1 of PCW-NEDA-DBM Joint Circular No. 2012-01 that at least 5% of the DBM approved budget be allocated to its GPB by mainstreaming gender perspectives in its major PAPs or attributing agency major programs to the GAD budget.	BCDA will capacitate its GFPS and other concerned staff in the use of the Harmonized Gender and Development Guidelines (HG DG) tools for GAD Budget attribution by identifying and implementing the necessary training or by engaging the services of an expert on the use of these tools.	HRMD	Oct 14, 2020 onwards	IMPLEMENTED	CONTINOUS IMPLEMENTATION	Capacity-building activities identified and submitted for management approval.	
2019.19.02			2. Formulate an effective monitoring system to ensure that all identified GAD PAPs will be timely and fully undertaken within the year.	BCDA will formulate a monitoring system as part of the GAD Manual to ensure that all identified GAD PAPs will be timely and fully undertaken in the future. This will facilitate the proper monitoring and evaluation of the GAD Projects for 2020-2022 not only for BCDA but also for the BCDA subsidiaries.	BCDA-GFPS	On going	2021	PARTIALLY IMPLEMENTED	The GAD program (One Common Consciousness Program) is still in progress.	BCDA GAD monitoring system has been created as part of the BCDA One Common Consciousness Program, an initiative of the BCDA GFPS designed to capacitate BCDA and its subsidiaries in integrating gender considerations in the project development cycle of BCDA and its subsidiaries.
2019.19.03			3. Comply with the recommendations or proposed actions by PCW.	BCDA will comply with the recommendations and	BCDA-GFPS	On-going		IMPLEMENTED		PCW and COA recommendations have been considered in on-

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				proposed actions proffered by both the PCW and COA.				Specific recommendations have already been incorporated in the GPB.	going preparation of the GPB.	
2018.03.01	CY 2018 AAR, Observation No.3 pages 81-83	The faithful representation and verifiability of receivables account could not be established due to dormant accounts amounting to P13.594 million	Intensify efforts to collect the dormant accounts and if all efforts are in vain, request for authority to write-off said accounts.	Request for write-off for the dormant accounts P100k and below.	ACD		Feb 15, 2020	IMPLEMENTED Submitted request for write-off to COA (Please see the request for write-off)		
2017.04.01	CY 2017 AAR Observation No. 4, pages 79-81	The land donated to the City of Taguig subsequently lease out beyond the purpose of the donation resulted in bypassing the Armed Forces of the Philippines' (AFP's) share in the disposition of CDA assets.	Representatives from the BCDA, AFP and the City of Taguig discuss amicably their differences and resolve what is fair for the AFP without resorting to tedious and expensive legal battle.	Negotiate amicably between BCDA, AFP and the City of Taguig to resolve what is fair for the AFP without resorting to tedious and expensive legal battle.	LSG BDOG			PARTIALLY IMPLEMENTED An initial meeting was conducted. (Please see attached letter sent to Taguig City Government dated Sept. 9, 2020)	A meeting was held between BCDA and Atty. Jose Luis Montales, City Administrator of former Mayor Lani Cayetano. Atty Montales said that the LGU of Taguig was willing to offer free office space to the AFP in the government center of SM Aura. When Mayor Lino Cayetano took over as Mayor of Taguig, BCDA wrote him a letter informing him of his predecessor's offer and asking for a meeting to further discuss the issue.	
2017.08.01	CY 2017 AAR, Observation No.8, pages 98-101	Transfer Certificates of Titles (TCTs) of land area with an area of 809,0-109 sq.m. valued at P583.001 million were not available upon inspection.	Account for the TCTs of land assets with an area of 809,019 sq.m. valued at P583.001 million.	LADD and TPFD will continuously collaborate to reconcile its records of TCTs. LADD and TPFD will report the status of the aforementioned TCTs.	LADD TPFD	Oct 21, 2020	Nov. 30, 2020	PARTIALLY IMPLEMENTED BCDA is developing the TCT Management System wherein concerned units will have access to the system and important details in the status will be reflected.		

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2017.10.01	CY 2017 AAR, Observation No. 10, pages	The Framework and Landing Party Agreements are beyond the BCDA mandate. BCDA and Department of Information and Communications Technology (DICT) signed the Framework Agreement, a joint endeavor that would involve the construction and operation of the Luzon Bypass Infrastructure supported by a Backhaul that connects the Last Mile with BCDA's six areas of jurisdiction to provide the high speed internet facility. The framework covers: a. The Luzon Bypass Infrastructure, 250 km multi-duct cable conduit path which will traverse five provinces that will connect the two terminal stations or the modular information technology facilities that will be constructed, one in Poro Ppoint, La Union, and one in Baler, Quezon. BCDA shall construct at a estimated cost of P975million and DICT shall operate, maintain, and be responsible for the infrastructure's security at estimated annual amount of P97.50 million; b. The Backhaul Infrastructure, an internet network between the landing station in Poro Point, La Union and Baler, Quezon to constructed by DICT at P1.083 billion; c. The Lat Mile Infrastructure, the internet network within BCDA shall construct, operate and maintain at P530 million ad	BCDA and DICT should, collectively, submit the three components of the project with aggregate project cost of P2.588 billion to the ICC (Investment Coordination Committee) for review and decision.	DICT and BCDA will seek appropriate government approval for the project, if needed per NEDA requirements	BDOG			IMPLEMENTED (Please see attached letter from NEDA dated 25 Nov 2016) 100% completed; ongoing preparation for turn-over of O&M to DICT	Furnish COA with the response from NEDA

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						From	To			
		DICT shall be the technical advisor. For the enforceability of the FA, the BCDA and DICT entered into a Landing Party Agreement (LPA) with EDGE Network Services, Limited, the submarine system owner.								
2017.HP	CY 217 AAR, Observation on Heritage Park Project	Portion of the proceeds from the development of the Heritage Park (HP) Project was not accounted as government funds. Funds generated from the HP Project of BCDA should be accounted as government funds. However, no accounting of the cash proceeds from the HP Project and the related disbursements therefrom was rendered by BCDA as required by regulations and in the spirit of transparency.	Render an accounting of all the proceeds generated from the HP Project that remain unaccounted in BCDA's books of accounts.	Submit justification that such portion of the proceeds (the Heritage Accounts" being held by HPMC) from the development of the HP Project was not accounted as government funds.	ACD OEVP		Aug 31, 2020	IMPLEMENTED Please see attached OGCC Opinion 2020-238 which opines that "unless and until remitted to BCDA as residual funds, Heritage Park funds held by HPMC are not government funds." Meanwhile, BCDA continues to record/account for and remit AFP share from proceeds of sale of BCDA-owned Heritage Park Investment Certificates.	During the COA exit conference on Aug 13, 2020, COA withdrew, for further study, the AOM on Heritage Park on the nature of Heritage Accounts as government funds.	
2016.05.01	CY 2016 AAR, Observation No.5	Advances to BCDA Board of Directors (BOD) totaling P4.567 million remained uncollected.	Recover from the BOD the P4.567 million.	Send SOA to GSIS	TPFD		On going	PARTIALLY IMPLEMENTED Partially collected from GSIS.	Delayed payment of GSIS.	Continue sending SOA to GSIS.

AGENCY SIGN-OFF:

NOTED BY:

BASES CONVERSION AND DEVELOPMENT AUTHORITY

AGENCY ACTION PLAN and STATUS of IMPLEMENTATION

Audit Observations and Recommendations

For CYs 2019 and Prior Years

As of 02 December 2020

Item No.	Reference	Audit Observation	COA Audit Recommendations/ Actions to be Undertaken by BCDA	Agency Action Plan			STATUS	Reason for Partial / Delay / Non- Implementation, if applicable	Action Taken / To Be taken
				Action Plan	Personnel/ Dept Responsible	Target Implementation Date			
						From			


DEAN S. MONTALBAN

VP- ACCOUNTING AND COMPTROLLERSHIP DEPARTMENT


CFO NENA D. RADO

SVP – INVESTMENT AND FINANCE MANAGEMENT GROUP

02 December 2020

Date