



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT

REGIONAL OFFICE NO. I
CORPORATE GOVERNMENT AUDIT SECTOR
WATER DISTRICTS AND OTHER CGS STAND-ALONE AGENCIES
City of San Fernando, La Union

Office of the Auditor – Audit Team No. R1-03

MEMORANDUM

FOR : **ATTY. ROBERT V. OCAMPO SR.**
OIC-Director III
Commission on Audit
Regional Office No. I

THRU: 
CRISTINA M. LOPEZ
OIC - Supervising Auditor

DATE : **June 27, 2025**

In compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 (2) of Presidential Decree No. 1445, we conducted a financial and compliance audit on the accounts and operations of Poro Point Management Corporation, San Fernando City, La Union for the year ended December 31, 2024.


The audit was conducted to ascertain the fairness of the presentation of the financial statements and the propriety of financial transactions. We conducted the audit in accordance with generally accepted auditing standards and we believe that it provides a reasonable basis for the results of the audit. The audit was likewise aimed at determining whether the desired objectives were attained in an effective, efficient, and economical manner.

Our report consists of three parts. Part I is the Audited Financial Statements, Part II contains the Observations with the corresponding Recommendations, and Part III presents the Status of Implementation by the Auditee of Prior Years' Audit Recommendations.

We rendered a Qualified Opinion on the fair presentation of the financial statements.

We have discussed our observations and their corresponding recommendations with the agency officials and personnel during the exit conference held on June 24, 2025. We are pleased to note their favorable reactions to our recommendations.

We acknowledge the cooperation extended to us by the Poro Point Management Corporation personnel through whose assistance and support the submission of this report was made possible.



SHARON A. DULAY
State Auditor IV
Audit Team Leader



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. I
City of San Fernando, La Union

June 27, 2025

ATTY. FELIX S. RACADIO

President and Chief Executive Officer
Poro Point Management Corporation
City of San Fernando, La Union

Dear **President Racadio**:

We are pleased to transmit the Annual Audit Report on the Poro Point Management Corporation (PPMC) for the Calendar Year 2024 pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 (2) of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules, and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the PPMC in view of the significance of the exceptions noted in audit as stated in the Independent Auditor's Report.

The audit observations together with the recommended courses of action, which were discussed with the concerned management officials and staff during the exit conference held on June 24, 2025, are presented in detail in Part II of the report.

We request that the recommendations contained in the report be immediately implemented and we appreciate being informed of the action taken thereon within 60 days from receipt hereof pursuant to Section 97 of the General Provisions of the General Appropriations Act of Fiscal Year 2024 (Republic Act No. 11975), using the Agency Action Plan and Status of Implementation (AAPSI) Form to be submitted to the Audit Team.

We acknowledge the support and cooperation that you and your staff extended to the Audit Team, thus facilitating the submission of this report.

Very truly yours,



ATTY. ROBERT V. OCAMPO SR.
OIC-Director III

Copy furnished:

President of the Republic of the Philippines
Vice-President of the Republic of the Philippines
President of the Senate
Speaker of the House of Representatives
Chairperson-Senate Finance Committee
Chairperson – Appropriations Committee
Secretary of the Department of Budget and Management
Governance Commission of the Government-Owned and Controlled Corporations
Presidential Management Staff, Office of the President
National Library (soft copy)
University of the Philippines (IP) Law Center (soft copy)
COA Commission Central Library (soft copy)

PORO POINT MANAGEMENT CORPORATION
City of San Fernando, La Union

**AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 2024
As of _____

Ref.	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			

Agency Sign-off

Name and Position of Accountable Officer

Date

Note: Status of Implementation may either be (a) Fully Implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed



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

ANNUAL AUDIT REPORT

on the

**PORO POINT MANAGEMENT
CORPORATION**

City of San Fernando, La Union

For the Year Ended December 31, 2024

EXECUTIVE SUMMARY

A. Introduction

The Poro Point Management Corporation (PPMC) was created and registered with the Securities and Exchange Commission (SEC) as the operating and implementing arm of the Bases Conversion and Development Authority (BCDA) to manage the Poro Point Special Economic and Freeport Zone (PPSEFZ), now Poro Point Freeport Zone (PPFZ) pursuant to Republic Act (RA) No. 9400 (An Act Amending RA No.7227, as amended, otherwise known as the Bases Conversion and Development Act of 1992, and Other Purposes). The PPMC's scope of responsibility encompasses the former Wallace Air Station in Poro Point, La Union, home of Thunderbird Resorts, the San Fernando Air Station, and the San Fernando International Seaport.



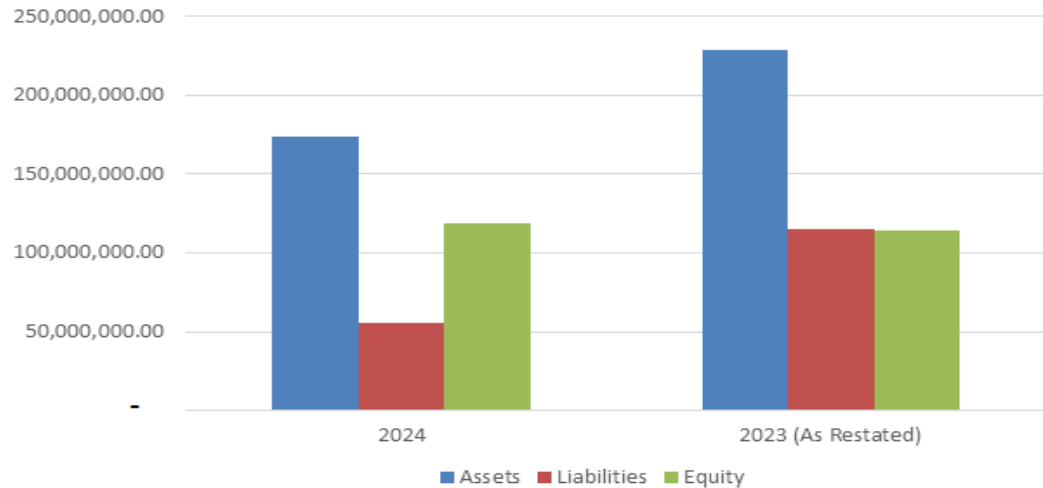
The PPMC is headed by President and Chief Executive Officer (PCEO) Atty. Felix S. Racadio, supported by 58 permanent employees and 1 co-terminus. The policy-making body, the Board of Directors (BOD), is composed of eleven members chaired also by the PCEO Atty. Racadio.

B. Financial Highlights

The financial position, operating results, and budget and actual expenditures of the PPMC for the year ended December 31, 2024, along with the comparative figures for Calendar Year (CY) 2023, are presented as follows:

B.1. Financial Position

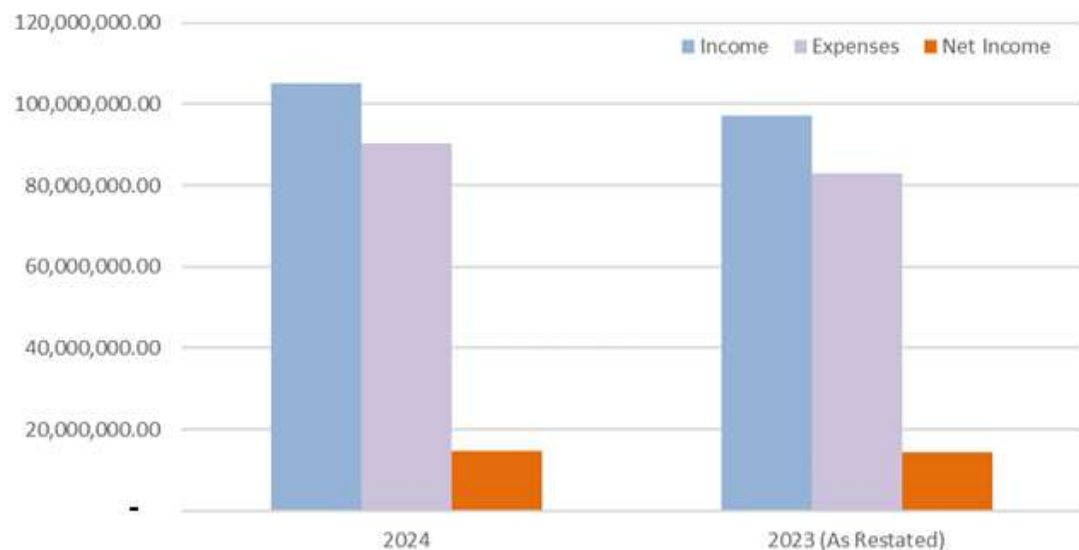
In CY 2024, assets and liabilities decreased by 31.88% and 108.12%, respectively, while equity increased by 3.60%, as presented below:



Accounts	Amount (P)			Percentage Change (%)
	2024	2023 (As Restated)	Increase (Decrease)	
Assets	173,639,287.10	229,004,148.06	(55,364,860.96)	(31.88%)
Liabilities	55,146,311.64	114,773,147.88	(59,626,836.24)	(108.12%)
Equity	118,492,975.46	114,231,000.18	4,261,975.28	3.60%

B.2. Financial Performance

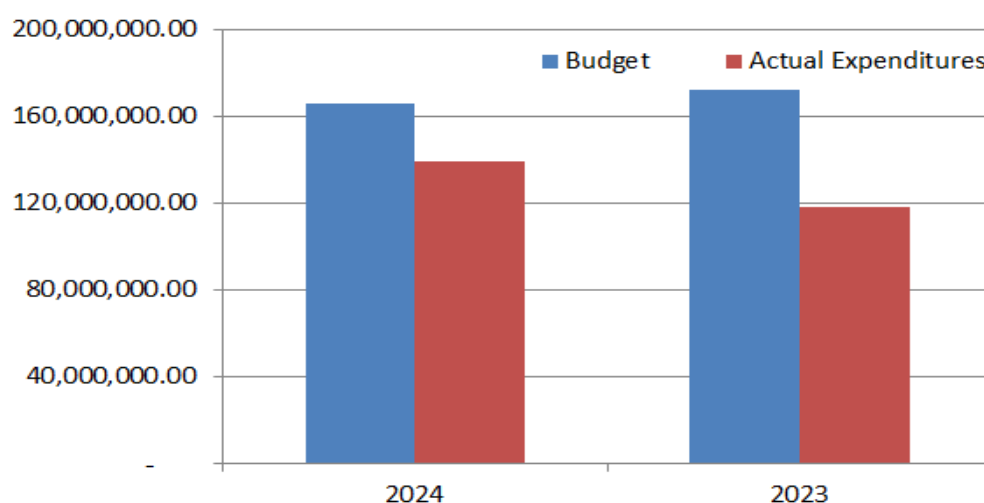
For CY 2024, the PPMC reported an increase in net income of 3.29%, illustrated as follows:



Accounts	Amount (P)			Percentage Change (%)
	2024	2023 (As Restated)	Increase (Decrease)	
Income	105,128,855.46	97,132,191.71	7,996,663.75	7.61%
Expenses	90,379,342.93	82,867,918.00	7,511,424.93	8.54%
Net Income	14,749,512.53	14,264,273.71	485,238.82	3.29%

B.3. Summary of Total Budget and Disbursements

The budget utilization of the PPMC in CY 2024 increased by 15.84%, presented as follows:



Particulars	2024	2023	Increase (Decrease)
Budget	165,605,429.00	171,930,891.00	(6,325,462.00)
Actual Expenditures	139,192,485.13	117,961,746.53	21,230,738.60
Utilization Rate	83.62%	68.61%	15.44%

C. Scope of Audit

A comprehensive audit was conducted on the accounts and operations of PPMC for the year ended December 31, 2024. The audit was conducted to ascertain the propriety of financial transactions and the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements in accordance with the Philippine Financial Reporting Standards (PFRS). It was also aimed at determining the compliance of the PPMC with applicable laws, rules, and regulations. It also entailed verification and validation on the implementation of prior years' audit recommendations.

D. Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the PPMC as of December 31, 2024, due to the following exceptions:

1. The year-end balances of reciprocal accounts Due from BCDA and Due to PPMC, and Due to BCDA - current and Due from PPMC in the books of PPMC and BCDA have discrepancies of ₱7,629,873.85 and ₱9,668,099.06, respectively that cannot be verified with the supporting schedules of the accounts, contradicting the faithful representation and verifiability principles of the revised Conceptual Framework for Financial Reporting (CFFR) and Section 111 of Presidential Decree (PD) No. 1445, thereby affecting the fair presentation of the accounts in the financial statements.
2. Liabilities of the PPMC in the total amount of ₱2,848,617.44 were erroneously classified as Accounts Payable due to oversight, which is not in keeping with Commission on Audit (COA) Circular No. 2020-002 dated January 28, 2020, and the faithful representation principle of the revised Conceptual Framework for Financial Reporting (CFFR), thereby casting doubt on the accuracy, completeness and classification of accounts.
3. Extraordinary and Miscellaneous Expenses (EME) amounting to ₱270,804.64 included payments for various expenses not falling within the coverage of COA Circular No. 2006-001 dated January 3, 2006 and Item 4 of the Governance Commission for GOCCs (GCG) Circular No. 2021-013, hence resulted in misclassification of expenses undermining the fairness of presentation of the affected expense accounts.

E. Summary of Significant Observations and Recommendations

In addition to the foregoing observations, hereunder are the other significant audit observations and recommendations, to wit:

1. Meals procured during regular and special meetings totaling ₱408,348.00 included those for individuals who were not actual or mandatory attendees due to the absence of judicious planning, thus, not in consonance with Section 2 of PD No. 1445 thereby undermining the principles of efficiency, economy, and effectiveness in government operations and reflects weak internal planning and control mechanisms in the conduct of official activities.

We recommend that Management discontinue the provision of unnecessary meals and snacks and exercise greater prudence and accountability in the procurement process which includes the prior identification and documentation of required and authorized attendees as a basis for determining accurate quantities to be procured.

2. The PPMC granted monetization of leave credits more than the allowable number of days due to a misinterpretation of the Omnibus Rules Implementing Book V of EO 292, resulting in the employee's leave credits falling below the prescribed minimum balance, thereby posing a risk of service disruption that may affect their salary, SSS service record and eligibility for benefits.

We recommend that Management strengthen the review and approval process for monetization requests by requiring the Human Resource Office to verify leave balances and ensure compliance with the provisions of Sections 22 and 23 of Rule XVI of the Omnibus Rules Implementing Book V of EO No. 292, as clarified by CSC Opinion No. 21, s. 2005, particularly the mandatory retention of five vacation leave credits after monetization, whether under regular or extraordinary circumstances, prior to endorsement and approval.

F. Status of Implementation of Prior Years' Audit Recommendations

Of the 24 prior years' audit recommendations, 20 were implemented, four were not implemented.

G. Status of Settlement of Audit Suspensions, Disallowances and Charges

As of December 31, 2024, the PPMC had no outstanding suspensions and charges, however, its disallowances totaling ₱1,084,904.05 are under appeal.

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PART I

AUDITED FINANCIAL STATEMENTS



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. I

CORPORATE GOVERNMENT AUDIT SECTOR 7
WATER DISTRICTS AND OTHER STAND-ALONE AGENCIES
City of San Fernando, La Union

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Poro Point Management Corporation
Poro Point Freeport Zone
City of San Fernando, La Union

Qualified Opinion

We have audited the financial statements of the Poro Point Management Corporation (PPMC), which comprise the Statement of Financial Position as at December 31, 2024, and the Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flow and Notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matters described in the Bases of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the PPMC as at December 31, 2024, and its financial performance and its cash flow for the year then ended in accordance with the Philippine Financial Reporting Standards (PFRS).

Bases for Qualified Opinion

The bases for the qualified opinion on the fairness of the presentation of the financial statements of PPMC for the year ended December 31, 2024, were the following:

1. The year-end balances of reciprocal accounts Due from BCDA and Due to PPMC, and Due to BCDA - current and Due from PPMC in the books of PPMC and Bases Conversion Development Authority (BCDA) have discrepancies of ₱7,629,873.85 and ₱9,668,099.06, respectively that cannot be verified with the supporting schedules of the accounts, contradicting the faithful representation and verifiability principles of the revised Conceptual Framework for Financial Reporting (CFFR) and Section 111 of Presidential Decree No. 1445, thereby affecting the fair presentation of the accounts in the financial statements.
2. Liabilities of the PPMC in the total amount of ₱2,848,617.44 were erroneously classified as Accounts Payable due to oversight, which is not in keeping with

COA Circular No. 2020-002 dated January 28, 2020, and the faithful representation principle of the revised Conceptual Framework for Financial Reporting (CFFR), thereby casting doubt on the accuracy, completeness and classification of accounts.

3. Extraordinary and Miscellaneous Expenses (EME) amounting to ₱270,804.64 included payments for various expenses not falling within the coverage of COA Circular No. 2006-001 dated January 3, 2006 and Item 4 of the Governance Commission for GOCCs (GCG) Circular No. 2021-013, hence resulted in misclassification of expenses undermining the fairness of presentation of the affected expense accounts.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities of the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not guarantee that an audit conducted in accordance with ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

COMMISSION ON AUDIT

By:

A handwritten signature in dark ink, appearing to read 'Cristina M. Lopez', is positioned above the printed name.

CRISTINA M. LOPEZ

OIC - Supervising Auditor

June 27, 2025



PORO POINT MANAGEMENT CORPORATION

A Member of the Bases Conversion and Development Authority Group



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The MANAGEMENT of Poro Point Management Corporation (PPMC) is responsible for the preparation of the financial statement as of December 31, 2024, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the fair presentation of financial statements that are free from material misstatement whether due to fraud, error, or negligence, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors, and other users.

LENIMA B. JUDAN

Finance Manager

January 28, 2025

Date Signed

ATTY. FELIX S. RACADIO

President and CEO/

OIC-Chairman of the Board

January 28, 2025

Date Signed

PORO POINT MANAGEMENT CORPORATION

San Fernando City, La Union

STATEMENT OF FINANCIAL POSITION

All Funds

As at December 31, 2024

	Note	2024	2023 (As Restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	18,014,739.30	8,568,366.76
Investments	4	81,056,864.85	80,751,803.46
Receivables	5	21,497,331.85	17,034,504.39
Inventories	6	809,843.36	844,246.47
Other Current Assets	7	2,043,697.72	2,392,248.38
Total Current Assets		123,422,477.08	109,591,169.46
Non-Current Assets			
Investments	8	15,015,000.00	15,015,000.00
Investment Property	9	4,249,796.45	96,647,923.90
Property, Plant and Equipment	10	6,721,868.02	7,698,054.70
Intangible Assets	11	229,666.69	52,000.00
Other Non-Current Assets	12	24,000,478.86	-
Total Non-Current Assets		50,216,810.02	119,412,978.60
TOTAL ASSETS		173,639,287.10	229,004,148.06
LIABILITIES			
Current Liabilities			
Financial Liabilities	13	27,289,136.60	25,104,192.38
Inter-Agency Payables	14	12,387,031.75	65,765,183.70
Intra-Agency Payables	15	1,299.08	1,825,391.38
Trust Liabilities	16	2,045,680.49	8,622,157.66
Other Payables	17	11,354.21	44,413.25
Total Current Liabilities		41,734,502.13	101,361,338.37
Non-Current Liabilities			
Inter-Agency Payables	18	13,411,809.51	13,411,809.51
Total Non-Current Liabilities		13,411,809.51	13,411,809.51
TOTAL LIABILITIES		55,146,311.64	114,773,147.88
EQUITY			
Stockholders' Equity	19	83,143,720.23	83,143,720.23
Retained Earnings/(Deficit)	20	35,349,255.23	31,087,279.95
Total Equity		118,492,975.46	114,231,000.18
TOTAL LIABILITIES AND EQUITY		173,639,287.10	229,004,148.06

See Accompanying Notes to Financial Statements

PORO POINT MANAGEMENT CORPORATION
San Fernando City, La Union

STATEMENT OF COMPREHENSIVE INCOME

All funds

For the Year Ended December 31, 2024

	Note	2024	2023 (As Restated)
Income			
Service and Business Income	21	<u>105,128,855.46</u>	<u>97,132,191.71</u>
Expenses			
Personnel Services	22	65,103,435.66	59,040,291.51
Maintenance and Other Operating Expenses	23	19,123,290.50	17,964,681.55
Non-Cash Expenses	24	1,434,877.99	1,424,641.75
Total Expenses		<u>85,661,604.15</u>	<u>78,429,614.81</u>
Profit/(Loss) Before Tax		<u>19,467,251.31</u>	<u>18,702,576.90</u>
Income Tax Expense/(Benefit)		4,717,738.78	4,438,303.19
Comprehensive Income/(Loss)		<u><u>14,749,512.53</u></u>	<u><u>14,264,273.71</u></u>

See Accompanying Notes to Financial Statements.

PORO POINT MANAGEMENT CORPORATION
San Fernando City, La Union

STATEMENT OF CHANGES IN EQUITY

All Funds

For the year ended December 31, 2024

	Note	2024	2023 (As Restated)
Share Capital			
Balance at Beginning of the Period			
Authorized, issued and fully paid 800,000 shares, Php100.00 par value		68,143,720.23	68,143,720.23
		<hr/>	<hr/>
Balance at End of the Period		68,143,720.23	68,143,720.23
		<hr/>	<hr/>
Other Equity Investments			
Balance at Beginning of the Period			
Additions		15,000,000.00	15,000,000.00
Deductions		-	-
		<hr/>	<hr/>
Balance at End of the Period		15,000,000.00	15,000,000.00
		<hr/>	<hr/>
Retained Earnings			
Balance at Beginning of the Period			
Correction of prior year's errors		30,444,287.35	17,976,225.57
As restated		642,992.60	2,652,934.83
Dividends		31,087,279.95	20,629,160.40
Net Income (Loss)	25	(10,487,537.25)	(3,806,154.16)
		<hr/>	<hr/>
Balance at End of the Period		35,349,255.23	31,087,279.95
		<hr/>	<hr/>
TOTAL EQUITY		118,492,975.46	114,231,000.18
		<hr/>	<hr/>

See Accompanying Notes to Financial Statements.

PORO POINT MANAGEMENT CORPORATION

San Fernando City, La Union

STATEMENT OF CASH FLOW

All Funds

For the year ended December 31, 2024

	2024	2023
Cash Flow from Operating Activities		
Cash Inflow		
Collection of Income/Revenue	88,733,873.53	93,097,032.80
Collection of Receivables	32,052,019.61	11,590,416.03
Receipt of Inter-agency Fund Transfers	8,943,406.51	3,221,948.16
Receipt of proceeds from termination of investment account	60,216,098.94	40,030,311.11
Total Cash Inflow	189,945,398.59	147,939,708.10
Cash Outflow		
Payment of Expenses	80,795,527.16	74,493,264.11
Purchase of Inventories	1,023,696.28	1,564,509.29
Payment of Accounts Payable	1,749,482.70	7,866,512.76
Remittance of Personnel Benefit Contributions and Mandatory Deductions	15,296,188.79	12,923,232.45
Adjustments	60,000,000.00	60,000,000.00
Total Cash Outflow	158,864,894.93	156,847,518.61
Net Cash Provided by (used in) Operating Act.	31,080,503.66	(8,907,810.51)
Cash Flow from Investing Activities		
Cash Inflow		
Receipt of Interest Earned	388,628.91	496,992.40
Cash Outflow		
Purchase/Construction of Investment Property	8,139,543.16	3,577,472.66
Purchase/Construction of Property, Plant and Equipment	3,395,679.62	51,500.00
Capital Expenditure projects		
Total Cash Outflow	11,535,222.78	3,628,972.66
Net Cash Provided by (used in) Investing Activities	(11,146,593.87)	(3,131,980.26)
Cash Flow from Financing Activities		
Cash Inflow		
Capex from BCDA	-	-
Cash Outflow		
Payment of Dividends	10,487,537.25	3,806,154.16
Net Cash Provided by (used in) Financing Activities	(10,487,537.25)	(3,806,154.16)
Net Increase in Cash and Cash Equivalents	9,446,372.54	(15,845,944.93)
Add: Cash and Cash Equivalents, Beginning	8,568,366.76	24,414,311.69
Cash and Cash Equivalents, Ending	18,014,739.30	8,568,366.76

Poro Point Management Corporation
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2024

1. Corporate Information

The Bases Conversion and Development Authority (BCDA) was created under Republic Act (RA) No. 7227 dated March 13, 1993. Its main objective is to accelerate the sound and balanced conversion of former military reservations, especially the American Military Bases into alternative productive civilian uses for the benefit of the Filipino people.

Pursuant to this Act, Presidential Proclamation No. 216 was issued creating and designating the area covered by the former Wallace Air Station, the San Fernando Seaport and Airport, and contiguous areas in Poro Point Special Economic and Freeport Zone (PPSEFZ), now the Poro Point Freeport Zone (PPFZ).

On June 29, 1993, Executive Order (EO) No. 103 was issued, establishing the John Hay Development Corporation (JHDC) as a subsidiary and implementing arm of BCDA for Club John Hay.

Subsequently, on October 07, 1998, EO No. 31 was issued amending Sections 1 and 3 of EO No. 103, series of 1993, renaming John Hay Development Corporation (JHDC) to John Hay Poro Point Development Corporation (JHPDC) as the authorized operating and implementing arm of the BCDA to manage the John Hay Special Economic Zone (JHSEZ) and the PPFZ and its contiguous areas.

On October 03, 2002, EO No. 132 was issued authorizing the creation of the PPMC as the implementing arm of BCDA over the PPFZ and renaming the JHPDC as the John Hay Management Corporation (JHMC).

The PPMC was registered with the Securities and Exchange Commission (SEC) on January 06, 2003.

On March 20, 2007, RA No. 9400 was enacted affirming the Freeport status of the PPSEFZ, renaming it as the Poro Point Freeport Zone (PPFZ).

The PPMC office is located at Governor Joaquin L. Ortega Avenue, Poro Point, City of San Fernando, La Union.

Performance Agreement

Pursuant to EO No. 62 issued on February 27, 1993, on the prescribed policies and guidelines for the implementation of RA No. 7227, the BCDA is mandated to perform oversight over subsidiaries and adopt and implement an oversight mechanism to

implement efficient utilization of scarce resources and to ensure that the plans and programs of subsidiaries are proceeding according to national goals and objectives.

In order to carry out this objective, EO No. 62 likewise mandates that the BCDA and its subsidiaries enter into a Performance Agreement embodying the performance criteria and target for the year and the desired goals of the succeeding years.

Towards this goal, the BCDA and PPMC entered into a Performance Agreement, setting the performance standards in accordance with the policies and programs of the BCDA and PPMC which is mutually acceptable to both parties.

Foremost among the features of the Agreement are the financial undertakings that the BCDA and PPMC have to comply with, briefly summarized as follows:

- The BCDA as property owner of the PPFZ shall earn from lease rentals, joint venture agreements, and other business arrangements generated in the PPFZ and from dividends to be declared by the PPMC. The PPMC shall record these revenues as Trust Liability and remit the same to BCDA through a designated bank account solely in the name of BCDA. The same shall now be recorded as income of BCDA.
- The PPMC as estate manager shall earn estate management fees due from BCDA either a 50 percent share in the revenues of the PPFZ or fixed amount of ₱60.5 million annually for the next two (2) years beginning 2014 to cover Personal Services (PS) and Maintenance & Other Operating Expenses (MOOE), whichever is higher. In addition, PPMC shall receive a 10 percent share of the net income of the zone.
- The PPMC shall ensure that all necessary and appropriate insurance coverage for properties within the zone as well as security services for the property are secured. Insurance coverage, maintenance, and depreciation expenses of the BCDA properties within the zone, as well as maintenance and security services for the properties, however, shall be charged to the BCDA as the owner of the land.
- The PPMC shall formulate an annual work plan and budget to be submitted to the BCDA for approval in accordance with Financial Policy No. 502-2.
- The PPMC shall submit a rolling five-year operating expenditure (OPEX) schedule for the BCDA funding and approval while maintaining the expected Return on Assets (ROA) and Return on Equity (ROE) targets for the BCDA. Yearly submission of the actual OPEX for review and next year's projected OPEX schedule for consideration and approval of the BCDA shall be presented during the planning and budgeting deliberations.

2. Summary of Significant Accounting Policies

Significant accounting policies are set forth to facilitate understanding of data presented in the financial statements.

2.1 Basis of preparation

The financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines. The financial statements are presented in Philippine peso, which is the functional and reporting currency of the PPMC.

The financial statements comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow, and Notes to Financial Statements.

2.2 Use of Estimates and Judgments

Preparing the financial statements in conformity with the Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. It also requires management to exercise its judgments in the process of applying the accounting policies consistent with those of the BCDA.

PFRS 1, First-time Adoption of Philippine Financial Reporting Standards, requires an entity adopting PFRS for the first time (a first-time adopter) to comply with each PFRS that has come into effect at the reporting date for its first PFRS financial statements. It also requires a first-time adopter to prepare an opening PFRS balance sheet at the date of transition to PFRS, the beginning of the earliest adoption to which it represents the full comparative information under PFRS.

Philippine Accounting Standards (PAS) 1 - Presentation of Financial Statements, (a) provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; (b) provides the base criteria for classifying liabilities as current or non-current; (c) prohibits the presentation of items of income and expenses as extraordinary items in the financial statements; and (d) specifies the disclosures

PAS 2 – Inventories. This standard prescribes accounting treatment of inventories, guidance on determining cost, subsequent recognition as an expense and on the write-down of inventories, and cost formulas used to assign costs to inventories.

PAS 16 – Property, Plant and Equipment. This standard prescribes the accounting treatment for property, plant, and equipment. An item of property, plant, and equipment that qualifies for recognition as an asset shall be measured at cost. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The residual value and the useful life of an asset shall be reviewed at least each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as change in an accounting estimate in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

2.3 Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less from the date of acquisition.

2.4 Supplies and Materials

This account carries the value of unused supplies and materials in stock using the moving average inventory method.

2.5 Investment in Joint Ventures

The PPMC has an interest in joint ventures which are jointly controlled entities, whereby the ventures have a binding arrangement that establishes joint control over the economic activities of the entity. The PPMC recognizes its interest in the joint venture using the equity method. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the share of net assets of the joint venture.

2.6 Property, Plant and Equipment (PPE)

PPE are stated at cost less accumulated depreciation. Depreciation is measured using the straight-line method such that pursuant to COA Circular No. 2004-3 dated October 4, 2004, and COA Circular No. 2015-002 dated March 9, 2015, the computation of depreciation expense shall start on the following month after the purchase/completion of the PPE, irrespective of date within the month. The current and subsequent month depreciation expense shall be computed as follows:

$$\text{Monthly Depreciation Expense} = \frac{\text{Carrying Amount} - \text{Residual Value}}{\text{Remaining Useful Life}}$$

The effect of the recognition of depreciation as a result of the change in the estimated residual value from 10% to 5% of the cost shall be applied prospectively.

Assets acquired with a cost of more than ₱50,000.00 are recorded under PPE pursuant to COA Circular No. 2022-004 dated May 31, 2022. The threshold shall be applied on an individual asset or per item basis. Each item within the bulk

acquisition such as library books, small equipment, computer peripherals, work animals, and the like, costing below ₱50,000.00 is to be recognized as semi-expendable property.

Maintenance and repairs of PPE are charged to operations. Improvements and/or major repairs that considerably extend the assets' life or if the repair costs are material in amount, are capitalized to the appropriate asset account.

2.7 Revenue Recognition

Funds released for OPEX from the BCDA are reflected as Management fees in the Statement of Comprehensive Income.

2.8 Collections received in trust

The PPMC shall remit to the BCDA on a regular basis all revenues from contracts and other sources of revenues generated within the PPFZ and are deposited daily to BCDA Land Bank of the Philippines (LBP) Account No. 0202-xxxx-54 at the City of San Fernando, La Union. The results of these activities are being reported to BCDA on a monthly basis.

3. Cash and Cash Equivalents

This account consists of the following:

Particulars	2024	2023
Cash Collecting Officer	108,475.15	7,900.00
Cash in Bank-Local Currency, CA	17,906,264.15	8,560,466.76
Total Cash & Cash Equivalents	18,014,739.30	8,568,366.76

Cash in Bank – Local Currency, CA is composed of the following:

Cash in Bank-Local Currency, OPEX Current Account

PPMC maintains a current account at the LBP for its OPEX.

Cash in Bank-Local Currency, Capital Expenditure (CAPEX) Account

On 19 October 2018, PPMC opened a current account at the LBP for its CAPEX pursuant to the advice of the Department of Finance (DOF) to wind down PPMC's deposits at PNB and transfer the same to either LBP/DBP.

4. Investments

This is composed of Investment in Time Deposits.

Investments in Time Deposits represents authorized placements of time deposit at the LBP for 180 days, comparative details are shown below:

Particulars	2024	2023 (As Restated)
Investments in Time Deposits		
Investment in Time Deposits-Local Currency	81,056,864.85	80,751,803.46

5. Receivables

The account is composed of the following:

Particulars	2024	2023 (As Restated)
Loans and Receivables Account		
Accounts Receivable	290,096.55	386,997.66
Interest Receivable	207,667.30	171,478.00
Inter-Agency Receivables		
Due from National Government Agencies	605,912.61	605,912.61
Due from Government Corporations	70,000.00	71,066.67
Intra-Agency Receivables		
Due from Parent Corporation	18,281,436.12	13,191,534.30
Other Receivables		
Due from Officers and Employees	802,402.07	1,367,697.95
Other Receivables	1,239,817.20	1,239,817.20
Total Receivables	21,497,331.85	17,034,504.39

Loans and Receivable Account

The accounts receivable pertains to various receivables from customers for regulatory fees.

Interest receivable pertains to accrued interests on investments of time deposit accounts.

Intra-Agency Receivables

The Due from BCDA pertains to reimbursement of land-related costs such as insurance coverage, maintenance, and security services for BCDA properties.

Other Receivables

The account Due from Officers and Employees represents receivables from PPMC personnel for personal calls, taxes due for prior years, and other miscellaneous charges.

The Other Receivables account consists of ₱1,197,678.19 held in trust by PPMC for BCDA and ₱42,139.01 receivables for PPMC Provident Fund. Out of the ₱1,197,678.19 receivables, the ₱187,953.69 refers to collectibles from airport users and the amount of ₱1,009,724.50 represents long outstanding airport fees due from Ace Pilots Aviation Academy which was subjected to a legal move to pursue collection in Court.

6. Inventories

This account consists of the following:

Particulars	2024	2023 (As Restated)
Office Supplies Inventory	556,658.05	539,442.65
Construction Materials Inventory	167,622.06	167,651.46
Other Supplies and Materials Inventory	85,563.25	137,152.36
Total Inventories	809,843.36	844,246.47

7. Other Current Assets

This account is composed of the following:

Particulars	2024	2023 (As Restated)
Prepayments		
Advances to Contractors	266,067.41	1,774,090.36
Prepaid Registration	6,991.47	10,575.02
Prepaid Insurance	140,080.13	166,193.51
Other Prepayments	1,393,870.87	200,226.59
Deposits		
Guaranty deposits	168,884.00	168,884.00
Withholding Tax at Source		
Withholding Tax at Source	67,803.84	72,278.90
Total Other Assets	2,043,697.72	2,392,248.38

The Advances to Contractors account pertains to the balance of mobilization fees of Contractors for the following projects: Construction of the San Fernando Airport Runway Slope Protection and Construction of Poro Point Baywalk Structure. Also included is the balance of the mobilization fee for the PPMC website project.

Prepaid insurance includes prepayments for PPMC’s building insurance premiums for CY 2024.

The balance of the Other Prepayments account is subject to reversal adjustment in January 2025.

Guaranty deposits pertain to deposits to service providers such as telephone and electric companies that are refundable upon cancellation/termination of contracts.

Withholding tax at source pertains to tax withheld by customers for services rendered by PPMC to be applied to the income tax due.

8. Investments and Equity in Joint Venture

This account includes:

Particulars	2024	2023 (As Restated)
Investments in Joint Ventures	15,000,000.00	15,000,000.00
Other Investments		
Investment in Stocks	15,000.00	15,000.00
Total Investments	15,015,000.00	15,015,000.00

The Investment in Joint Venture pertains to the 15% investment share of PPMC to Poro Point Industrial Corporation (PPIC) pursuant to the Pre-Incorporation Agreement.

The Pre-Incorporation Agreement entered into on September 24, 1999, by and between the BCDA and JHPDC now, PPMC and Bulk Handlers, Inc. (BHI), a corporation duly organized under Philippine laws, created a joint venture corporation under the name of PPIC.

Section 1, paragraph 1.02 of the Pre-Incorporation Agreement provides that the PPIC shall be organized for the principal purpose of undertaking the utilization, development, operation, management, and administration of the seaport and industrial areas as well as all reclamation works within the project area.

Section 1, paragraph 1.03 also provides that the authorized capital stock of PPIC shall initially be in the amount of ₱100,000,000. The BCDA/PPMC shall subscribe to shares equal to ₱30,000,000 constituting 30% ownership of the total outstanding capital stock. On the other hand, BHI and/or its consortium shall subscribe to and fully pay for shares equal to ₱70,000,000.00 for a 70% ownership of the total outstanding capital stock of PPIC.

It was likewise provided under the terms of the Agreement that BHI shall fund the thirty percent (30%) equity participation of BCDA/PPMC in exchange for the leasehold rights over the project area and that BHI shall always fund the equity participation of BCDA/PPMC in the event the capital stock of PPIC is increased to avoid dilution of the BCDA/PPMC shares.

To date, the PPMC equity share amounts to ₱15,000,000.00 equivalent to 15% of the total authorized and subscribed capital stock of PPIC.

Other Investments

The Investment in Stocks represents the subscription of shares of stock with the PLDT.

9. Investment Property

This account consists of:

Particulars	2024	2023 (As Restated)
Investment Property-Land	-	16,416,169.40
Construction in Progress – Investment Property Buildings and Other Structures	4,249,796.45	80,231,754.50
Total Investment Property	4,249,796.45	96,647,923.90

The ₱16,416,169.40 balance in 2023 was reclassified to Other Assets account pursuant to COA AOM No. 2024-003 dated April 29, 2024.

The PPMC turned over to the BCDA the completed projects: Construction of Baywalk with events center, construction of drainage system and slope protection at the San Fernando Airport, 2021 various repair and maintenance projects, covered parking and extension of fire station roofing and access road and parking at the San Fernando Airport totaling to ₱70,701,521.07 and was derecognized by the PPMC in accordance with Section 7.2 of the Revised Performance Agreement between the BCDA and PPMC.

The Construction in Progress held in trust amounting to ₱4,249,796.45 constitutes CAPEX projects such as the Construction of PPMC Office/ Multi-Purpose Rooms, Construction of Poro Point Baywalk Structure (Alfresco Restaurant) and Various Repairs at the PPMC Admin and CCA Building are funded by the BCDA. After completion, these projects and relevant documents will be turned over to the BCDA, and the corresponding advances granted to the PPMC will be liquidated.

10. Property, Plant and Equipment

The details of this group of accounts consist of the following:

Particulars	2024	2023 (As Restated)
<i>Land Improvements</i>		
Other Land Improvements	276,082.12	276,082.12
Accumulated Depreciation – Other Land Improvements	(262,278.01)	(262,278.01)
<i>Infrastructure Assets</i>		
Power Supply Systems	516,605.02	516,605.02
Accumulated Depreciation - Power Supply Systems	(490,774.77)	(490,774.77)
<i>Buildings and Other Structures</i>		
Buildings	9,386,403.90	9,386,403.90
Accumulated Depreciation – Buildings	(6,231,465.75)	(5,815,186.04)
Other Structures	2,669,275.51	2,669,275.51
Accumulated Depreciation – Other Structures	(2,535,811.73)	(2,482,771.32)
<i>Machineries and Equipment</i>		
Office Equipment	2,962,485.91	2,847,485.91
Accumulated Depreciation - Office Equipment	(2,481,202.98)	(2,334,554.94)
Information and Communications Technology Equipment	3,306,091.81	2,992,733.81
Accumulated Depreciation - Information and Communications Technology Equipment	(2,213,235.57)	(1,910,517.21)
Communications Equipment	60,000.00	60,000.00
Accumulated Depreciation-Communications Equipment	(57,000.00)	(57,000.00)
Technical and Scientific Equipment	413,387.52	413,387.52
Accumulated Depreciation -Technical and Scientific Equipment	(392,718.14)	(392,718.14)
<i>Furniture, Fixtures and Books</i>		
Furniture and Fixtures	901,045.01	901,045.01
Accumulated Depreciation - Furniture and Fixtures	(847,594.19)	(841,093.07)
<i>Transportation Equipment</i>		
Motor Vehicle	8,681,939.06	8,681,939.06
Accumulated Depreciation - Motor Vehicle	(6,939,366.70)	(6,460,009.66)
Total	6,721,868.02	7,698,054.70

PPE pertains to assets acquired and are utilized and directly benefits PPMC which includes among others, properties such as buildings, furniture, fixtures, machinery, equipment, and motor vehicles.

11. Intangible Assets

The account pertains to the design and development of the PPMC website costing ₱260,000.00 and Accumulated Amortization of ₱30,333.31.

12. Other Non-current Assets

The ₱24,000,478.86 balance in 2023 was reclassified from Investment Property account pursuant to COA AOM No. 2024-003 dated April 29, 2024.

Other Assets-land amounting to Php16,416,169.40 refers to the validated land held-in trust within the PPFZ on behalf of the BCDA. Acquisition cost was valued at P1,250.00/P2,300.00 per square meter plus documentary stamp taxes & other similar incidental charges.

There are 58 original land titles already forwarded to the BCDA out of the 73 land titles covering 5.43 hectares, more or less. Titles of the remaining lots are still subject to reconstitution as a result of the fire that gutted the Register of Deeds building on August 26, 2000.

On August 2, 2012, the Land Registration Administration (LRA) informed BCDA/PPMC that the following titles were issued with reconstitution orders: T-52521; T-52526; T-52530; T-52518; T-46198; T-52588. The LRA likewise informed BCDA that the rest of the TCT's with pending applications for reconstitution may have been damaged during the fire that destroyed the LRA office on July 22, 2011. PPMC will file the necessary documents in order to safeguard PPMC's rights to the properties.

Construction in progress held in trust of P7,584,309.46 constitutes accrued capital expenditure projects for the Construction of the San Fernando Airport Runway Slope Protection Phase I and II, Repair Works at Poro Point Baywalk to Replace 22 Sets Dilapidated Gazebos and Improvement of the Crash Fire Gate with Access Road. Upon completion, these projects together with relevant documents will be turned-over to BCDA and the corresponding advances granted to PPMC are liquidated.

13. Financial Liabilities

This account represents the outstanding payables on purchases from local suppliers and contractors and payables to the PPMC personnel.

Particulars	2024	2023 (As Restated)
Accounts Payable	25,711,564.02	24,766,502.98
Due to Officers and Employees	1,577,572.58	337,689.40
Total	27,289,136.60	25,104,192.38

Part of the accounts payable is the accrual of a percentage of completion of CAPEX projects such as the Construction of the San Fernando Airport Runway Slope Protection Phase I and II, Repair Works at Poro Point Baywalk to Replace 22 Sets Dilapidated Gazebos and Improvement of the Crash Fire Gate with Access Road.

14. Inter-Agency Payables

This account is composed of the following:

Particulars	2024	2023 (As Restated)
Due to BIR	720,938.97	739,199.91
Due to Pag-Ibig	6,900.00	5,250.00
Due to PhilHealth	1,272.77	2,336.25
Due to SSS	2,880.00	7,989.50
Due to Parent Corporation - BCDA	10,207,819.67	64,595,506.14
Income Tax Payable	1,264,778.34	414,901.90
Due to NGAs	166,042.00	-
Due to LGUs	16,400.00	-
Total Inter-Agency Payables	12,387,031.75	65,765,183.70

Due to Parent Corporation pertains to funds released by the BCDA for CAPEX projects such as the Construction of the San Fernando Airport Runway Slope Protection Phase I and II, Repair Works at Poro Point Baywalk to Replace 22 Sets Dilapidated Gazebos and Improvement of the Crash Fire Gate with Access Road. PPMC will liquidate these advances by turning over the completed projects to BCDA.

Also included in this account are the earned revenues within the PPFZ held in trust by the PPMC for the BCDA. These collections are to be remitted to the BCDA through its designated bank account. Part of this account is the outstanding airport fees due from Ace Pilots Aviation Academy amounting to ₱1,009,724.50 which was the subject of a legal move to pursue collections in courts, and the other receivable from airport clients of ₱187,953.69.

15. Intra-Agency Payables

This account pertains to the Due to Other Funds account which represents employee and employer contributions to the PPMC Provident Fund. The said Provident Fund was approved by the Office of the President on August 15, 2023.

16. Trust Liabilities

This account consists of trust liabilities and guaranty/security deposit payables. Trust liabilities refer to bid fees collected from bidders. Guaranty/Security Deposits payable represents the security deposit for the reservation fee of Baywalk lots, warranties posted by Contractors, and retention payable which shall be due for release to the Contractor upon final acceptance of its works by the PPMC. Balances appearing are broken down as follows:

Particulars	2024	2023 (As Restated)
Trust Liabilities	1,560,154.16	1,609,368.56
Guaranty/ Security Deposits Payable	485,526.33	7,012,789.10
Total Trust Liabilities	2,045,680.49	8,622,157.66

17. Other Payables

This account is composed of:

Particulars	2024	2023 (As Restated)
Unearned Revenue	6,000.07	14,000.00
Other Payables	5,354.14	30,413.25
Total Other Payables	11,354.21	44,413.25

Unearned revenue pertains to advance rental of eight (8) concrete poles covering the period January to September 2025. Other payables pertain to loan amortizations deducted from the employee's maternity benefit to be remitted in January 2025.

18. Inter-Agency Payables

This account pertains to the Due to Parent Corporation (BCDA) account which represents funds released by the BCDA to the PPMC purposely for the acquisition of private lots within the Wallace Area.

19. Stockholders' Equity

This account is composed of Share Capital and Other Equity Instruments and is detailed as follows:

Particulars	2024	2023 (As Restated)
Share Capital	68,143,720.23	68,143,720.23

Particulars	2024	2023 (As Restated)
Other Equity Instruments	15,000,000.00	15,000,000.00
Total Stockholders' Equity	83,143,720.23	83,143,720.23

Share Capital

The PPMC was authorized to issue 800,000 shares at ₱100.00 cost per share. BCDA has approved an increase of authorized capital stock from ₱80 million to ₱300 million per letter dated May 4, 2012.

On October 15, 2014, PPMC wrote a letter to the Governance Commission for Government-Owned and Controlled Corporations (GCG), requesting for the latter's endorsement/clearance/recommendation for the amendment of the Articles of Incorporation of the PPMC prior to submission to SEC for approval. On October 27, 2014, the GCG directed the PPMC to submit documents to be used in the evaluation process of the latter's request. On November 2, 2016, the PPMC submitted additional documents required by the GCG in the evaluation process. Finally, on November 23, 2016, the GCG approved the request for an increase in capitalization of PPMC. The PPMC is now reviewing the increase in capitalization in coordination with the BCDA. The latter has not yet given its final approval on the matter, it being the 99% owner of the totality of the stocks of the PPMC.

20. Retained Earnings

This account represents the cumulative results of normal and continuous operations of PPMC including prior period effects of changes in accounting policy and errors and other capital adjustments detailed as follows

Particulars	2024	2023 (As Restated)
Beginning Balance	30,444,287.35	17,976,225.57
Prior Period Adjustments	642,992.60	2,444,934.83
As Restated	31,087,279.95	20,421,160.40
Dividends	(10,487,537.25)	(3,806,154.16)
Net Income/ (Loss)	14,749,512.53	14,472,273.71
Total Retained Earnings	35,349,255.23	31,087,279.95

Prior period adjustments taken up as of December 31, 2024, include the following:

Particulars	Amount
Additional 2% EWT withheld from GSIS for insurance	(5,992.15)
Adjustment for the Website Development	208,000.00
Adjustment of Due from Officers and Employees account	118,753.84
Drainage system at the SFA	(23,495.81)

Particulars	Amount
Payment for the development and design of the PPMC Website	52,000.00
Prior year's expenses	32,608.12
Receipt of payment for Penalties and surcharges from employee due to late insurance renewal of vehicles	4,625.30
Refund of BOD expenses as per COA AOM No. 2023-010	10,139.69
Refund of excess per diem	5,394.00
Reversal/Adjustment for the Prepaid Insurance and Registration which was expenses outright	58,217.69
Reversal/adjustments of accrued accounts payable	204,627.99
Termination of Opex investment	(21,886.07)
Net effect	642,992.60

21. Service and Business Income

The income of the PPMC is derived from the following sources:

Particulars	2024	2023 (As Restated)
Service and Business Income		
Service Income		
Permit Fees	13,200,403.27	10,516,384.56
Business Income		
Management Fees	90,995,433.86	85,762,008.14
Interest Income	596,296.21	646,584.33
Other Business Income	327,087.13	190,000.00
Miscellaneous Income		
Miscellaneous Income	9,634.99	17,214.68
Total Revenues	105,128,855.46	97,132,191.71

Permit Fees

This account consists of regulatory fees such as seaport dues and fees, import permits, local purchase permits, gate pass, building permit fees and other fees.

Management Fees

This account consists mainly of management fees. PPMC as estate manager of the PPFZ is compensated by the BCDA in the form of OPEX fund releases corresponding to the annual budget for Personal Services (PS) and Maintenance and Other Operating Expenses (MOOE) of the PPMC. Such fund releases are recognized as estate management fees in the books of the PPMC and are being released by the BCDA at the start of the year.

The BCDA as the property owner is entitled to the revenues generated from the PPFZ, which comprise lease rentals, airport fees, gaming revenue share, share in the sale of real estate projects, and regulatory fees.

As of December 31, 2024, BCDA/PPMC earned a total zone revenue of ₱126,794,018.27.

The entry of Thunderbird Pilipinas Hotels and Resorts, Inc., whose Casino opened for business on April 28, 2006, provided a significant share of the revenues generated. The total percentage share in net winnings of 4% as of December 31, 2024, is ₱54,676,485.59. This amount represents variable income for BCDA/PPMC on top of the monthly fixed lease rentals of ₱1,797,646.25.

The San Fernando International Seaport (SFIS) underwent a strategic management transition on December 1, 2024, with the management and development of the SFIS transferred from the PPIC to BCDA and PPMC. The seaport revenue performance reflected a substantial growth, increasing to 55.28%, from ₱9,252,973.56 in 2023 to ₱14,368,027.79 in 2024, due to expanded international and domestic vessel traffic.

All collections accruing to the BCDA are deposited to its sole bank account.

Interest Income

These are interests earned on investments and bank deposits.

Other Business Income

This income account includes revenue generated from bay walk fees, forfeited bonds related to bay walk cleanliness, and income earned from renting concrete poles.

Miscellaneous Income

This account comprises liquidated damages collected from contractors and suppliers due to delayed completion of works and delivery of goods.

22. Personnel Services

These include the following expenses of PPMC as presented:

Particulars	2024	2023 (As Restated)
<i>Salaries and Wages</i>		
Salaries and Wages-Regular	36,909,146.64	37,648,292.11
<i>Other Compensation</i>		
Personnel Economic Relief Allowance	1,407,045.10	1,407,216.19

Particulars	2024	2023 (As Restated)
Representation Allowance (RA)	821,250.00	802,500.00
Transportation Allowance (TA)	821,250.00	802,500.00
Clothing/Uniform Allowance	413,000.00	354,000.00
Overtime and Night Pay	1,622,617.11	1,211,831.87
Year-End Bonus	3,135,199.00	3,195,530.00
Cash Gift	296,000.00	295,000.00
Mid-Year Bonus	3,093,842.00	3,025,862.00
Directors' and Committee Members' Fees	2,097,000.00	2,018,000.00
Other Bonuses and Allowances	1,528,000.00	1,758,000.00
<i>Personnel Benefit Contributions</i>		
Retirement and Life Insurance Premiums	1,930,532.50	1,904,607.50
Pag-Ibig Contributions	134,300.00	68,300.00
PhilHealth Contributions	860,138.40	641,897.01
Employee Compensation Insurance Premiums	20,990.00	20,450.00
Provident/Welfare Contribution	3,598,765.96	1,400,359.23
<i>Other Personnel Benefit Contributions</i>		
Retirement Gratuity	4,406,634.59	-
Terminal Leave Benefits	2,007,724.36	2,485,945.60
Total Personnel Services	65,103,435.66	59,040,291.51

On August 15, 2023, the Office of the President approved the establishment of the PPMC's Provident Fund, which is defined as a savings scheme consisting of contributions from both the employees and PPMC which serves as a loan facility and provider of supplementary welfare benefits of its members. Total Provident Fund contributions (employer share) as of December 31, 2024, is ₱4,999,125.19

23. Maintenance and Other Operating Expenses

PPMC incurred the following operating expenses:

Particulars	2024	2023 (As Restated)
<i>Travelling Expenses</i>		
Travelling Expenses-Local	3,287,763.95	3,045,134.54
Travelling Expenses-Foreign	648,045.09	691,161.53
<i>Training and Scholarship Expenses</i>		
Training Expenses	745,565.08	615,124.27
<i>Supplies and Materials Expenses</i>		
Office Supplies Expenses	1,141,701.70	1,201,601.11
Accountable Forms Expenses	10,000.00	-
Drugs and Medicines Expenses	17,040.00	81,837.50

Particulars	2024	2023 (As Restated)
Fuel, Oil and Lubricants Expenses	566,987.58	525,873.55
Semi-Expendable Machinery and Equipment Expenses	353,152.00	425,525.00
Semi-Expendable Furniture, Fixtures and Books Expenses	143,442.00	18,779.00
Other Supplies and Materials Expenses	45,659.35	322,942.40
<i>Utility Expenses</i>		
Water Expenses	104,571.76	70,615.48
Electricity Expense	705,805.83	620,314.46
<i>Communication Expenses</i>		
Postage and Courier Services	63,702.14	37,418.23
Telephone Expenses	785,720.07	766,035.97
Internet Subscription Expenses	373,287.16	71,775.67
<i>Confidential, Intelligence and Extraordinary Expenses</i>		
Extraordinary and Miscellaneous Expenses	270,804.64	229,413.24
<i>Professional Services</i>		
Legal Services	28,002.00	-
Auditing Services	1,220,461.81	1,163,038.77
Other Professional Services	254,770.72	46,455.09
<i>General Services</i>		
Janitorial Services	433,222.92	523,403.22
Security Services	1,662,700.15	1,356,082.91
<i>Repairs and Maintenance</i>		
Repairs and Main-Buildings and Other Structure	315,289.94	204,789.00
Repairs and Main-Machinery and Equipment	3,520.00	-
Repairs and Main-Transportation Equipment	166,908.50	165,422.60
Repairs and Main-Furniture and Fixtures	5,870.00	53,137.12
<i>Taxes, Insurance Premiums, and Other Fees</i>		
Taxes, Duties and Licenses	123,189.19	115,716.00
Fidelity Bond Premiums	71,625.00	-
Insurance Expenses	274,074.08	155,679.15
<i>Other Maintenance and Operating Expenses</i>		
Advertising, Promotional, and Marketing	634,240.71	769,253.37
Printing and Publication Expenses	202,537.00	-
Representation Expenses	1,583,135.46	1,305,761.98
Rent/Lease Expenses	55,120.00	-
Membership Dues and Contributions to Organizations	500.00	500.00
Representation Expenses	26,640.57	21,959.00
Subscription Expenses	11,940.00	-

Particulars	2024	2023 (As Restated)
Other Maintenance and Operating Expenses	2,786,294.10	3,359,931.39
Total MOOE	19,123,290.50	17,964,681.55

The Other Maintenance and Other Operating Expenses account consists of:

Particulars	2024	2023 (As Restated)
SP-Trade Mission	-	460,972.53
SP-Year-End Activities	1,350,803.72	981,200.00
SP-Anniversary Activities	-	568,699.33
SP-Corporate Social Responsibility	587,803.91	489,356.83
SP-ISO Certification	-	109,585.10
SP-Annual Report	-	96,000.00
SP-Environmental Management System	-	74,825.25
SP-Website Design and Development	10,752.00	-
BOD-Meals	836,934.47	579,292.35
Total Other MOOE	2,786,294.10	3,359,931.39

The special projects (SP) include community development or growth which is paramount to PPMC. Alongside the development efforts and creation of business opportunities in the PPFZ, PPMC pursued community development projects to improve the quality of life in communities. PPMC HELPS was institutionalized as a PPMC vehicle to implement the Corporate Social Responsibility Program. HELPS stands for the various components of the program – health, education/environment, livelihood program, and strengthening linkages.

In addition, the SP also includes Trade Mission, ISO Certification, Environmental Management System (EMS), Annual Report, Year-end, and Anniversary Activities.

The Business Missions provided an opportunity for the PPMC to promote the various business and investment opportunities in the PPFZ as well as to strengthen its government and industry connections and further encourage business-to-business engagements and partnerships with Australian and Japanese companies, respectively. The Business Mission includes business fora, business-to-business Meetings, company visits, and benchmarking activities.

Thus, on the first quarter of CY 2024, the PPMC participated in the Philippine Business Mission held in Australia together with the Bases Conversion and Development Authority (BCDA which was organized by the Department of Trade and Industry (DTI). Included in the event is a signing of a Memorandum of Understanding (MOU) by BCDA, PPMC and an Australian-based company for the development, design, construction, commissioning, and funding of a proposed Tier-3 Data Center in PPFZ.

Likewise, the PPMC also participated in the Philippine Freeport and Economic Zones Roadshow held in Nagoya, Japan together with the BCDA, Subic-Clark Alliance for Development (SCAD), and Subic Bay Metropolitan Authority (SBMA). The Business Mission was organized by the DTI Philippine Trade and Investment Center (PTIC) Osaka.

The PPMC aligns with the policy of the State to promote sustainable development by encouraging the business or individual sector to engage in environment improvement activities and advance self-regulation and mandatory compliance with environmental standards. Thus, Macro Vision Consultancy provided technical expertise support to facilitate the establishment of PPMC's EMS certifiable to ISO 14001:2015 standards.

PPMC focuses on meeting stakeholders and applicable statutory and legal requirements and commits to continually improving its Quality Management System (QMS). Thus, PPMC has ventured into QMS certification to be globally competitive since ISO certification is a recognized mark for quality worldwide. Once ISO-certified, investors would be assured of quality service which could give PPMC an edge in enticing and retaining investors. The PPMC passed the re-certification audit conducted by TUV Nord Philippines, Inc. in October 1, 2024.

24. Non-Cash Expenses

This includes the depreciation expenses taken up on the PPE and amortization of intangible assets of PPMC.

Particulars	2024	2023
<i>Depreciation</i>		
Building and Other Structures	469,320.12	469,320.12
Machinery and Equipment	449,366.40	418,337.16
Transportation Equipment	479,357.04	526,893.07
Furniture, Fixtures and Books	6,501.12	10,091.40
<i>Amortization</i>		
Amortization Expense-Websites	30,333.31	-
Total Non-Cash Expenses	1,434,877.99	1,424,641.75

25. Dividends

The ₱10,487,537.25 decrease represents the dividend for CY 2023 which was 75% of the PPMC 2023 Net Income. The amount was remitted to the Bureau of the Treasury in April 2024.

26. Status of Pending Litigations

Case	Status/Update
1. PPMC vs. Ace Pilots Aviation Academy, Inc. Civil Case No. 9007 Collection of Sum of Money PhP1,031,258.80	The Honorable Court issued a Notice of Garnishment on July 11, 2018 and served upon BPI and BDO head offices, Makati on July 17, 2018 and July 19, 2018 respectively. BPI and BDO in their reply dated 19 July 2018, stated that the defendant had no account with their bank. Thus, the Sheriff failed to execute the judgment against the Defendant corporation. Defendant ceased operations. Recommend to consider the account as “bad debt” pursuant to the provisions of NIRC.
2. BCDA/PPMC vs. Lepanto Consolidated Mining Co. and Shippside Incorporated Re: Expropriation Cases (for eminent domain)	Lepanto, Inc., et. al. filed a Petition for Certiorari to the Supreme Court from the Decision of the CA Order to remand the case to the trial court. The case is pending before the SC. The Office of the Solicitor General and the Office of the Government Corporate Counsel are the statutory counsel. PPMC shall follow up updates with the BCDA.
3. Bulk Handler’s Inc. (BHI), Moran, Tan, Venturina and PPIC vs. BCDA and PPMC. Declaratory Relief pursuant to the Interim Rules of Procedure Governing Intra-Corporate Controversies	<p>22 May 2006 BHI et al. filed for Declaratory Relief against BCDA & PPMC in RTC Br. 29, SFLU docketed as CC No. 7188</p> <p>17 December 2009 The RTC rendered judgment in favor of BHI et al., declaring among others that the PIA is valid and effective.</p> <p>May 2012 BCDA & PPMC filed a Petition for Review with the CA assailing the Order dismissing the Notice of Appeal & Motion for Reconsideration filed by BCDA & PPMC respectively.</p> <p>11 July 2012 The CA dismissed the consolidated Petition for Review on the ground that the same is time-barred</p> <p>12 March 2015 The BCDA and PPMC filed a Petition for Review on Certiorari with the Supreme Court</p>

Case	Status/Update
	<p>08 November 2018 The BCDA filed a Motion for Early Resolution of the case.</p> <p>March 2023 The BCDA and PPMC filed their Memorandum pursuant to the SC Resolution directing the Parties' respective Memoranda</p>
<p>4. PPMC vs. Poro Exim Corporation Re: Collection of Sum of Money with damages. Civil Case No. 10225 RTC Branch 29, City of San Fernando, La Union</p>	<p>Following the compliance of withdrawal of the in-house counsel, the PPMC hired a lawyer outside to handle the case with the conformity of the BCDA, OGCC and COA. Plaintiff rested its case. Defendants' turn to present evidence.</p>

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

Unreliability of Due from BCDA and Due to BCDA accounts

1. **The year-end balances of reciprocal accounts Due from BCDA and Due to PPMC, and Due to BCDA - current and Due from PPMC in the books of PPMC and Bases Conversion Development Authority (BCDA) have discrepancies of ₱7,629,873.85 and ₱9,668,099.06, respectively that cannot be verified with the supporting schedules of the accounts, contradicting the faithful representation and verifiability principles of the revised Conceptual Framework for Financial Reporting (CFFR) and Section 111 of Presidential Decree No. 1445, thereby affecting the fair presentation of the accounts in the financial statements.**
 - 1.1. Philippine Accounting Standards (PAS) 1 - Presentation of Financial Statements requires that financial statements present fairly the financial position, performance, and cash flows of an entity. Fair presentation necessitates faithful representation of the effects of transactions, events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income, and expenses as set out in the Framework.
 - 1.2. The revised CFFR mandates faithful representation in financial statements. This requires that information not only represent relevant phenomena but also faithfully depict the phenomena it purports to represent. A perfectly faithful representation possesses three characteristics: completeness, neutrality, and freedom from error.
 - 1.3. Verifiability, while not a characteristic of faithful representation itself, strengthens users' confidence in the faithful representation of economic phenomena. Different knowledgeable and independent observers should be able to reach a consensus that a depiction is a faithful representation, even if complete agreement isn't achieved. Verifiability extends to quantified information presented as a range of possible amounts with associated probabilities.
 - 1.4. While Section 111 of PD No. 1445 states that:

Keeping of accounts.

 - (1) The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.

- (2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.

- 1.5. PPMC is a subsidiary of the Bases Conversion Development Authority (BCDA) which operates as the estate manager for the Poro Point Freeport Zone (PPFZ), a property owned by BCDA.
- 1.6. Capital investments for PPFZ are funded by BCDA and transferred to PPMC for implementation on behalf of BCDA. All funds received from BCDA are recorded as Due to BCDA in the books of PPMC, while the transfer of funds is recorded as Due from PPMC in the books of BCDA. Similarly, reimbursement of expenses for BCDA land and property-related costs such as insurance coverage, maintenance, and security services are recorded as Due from BCDA in the books of PPMC, while outstanding reimbursement claims of PPMC are recorded as Due to PPMC in the books of BCDA.
- 1.7. Additionally, as an estate manager, PPMC also collects revenues on account of BCDA and records the same as Due to BCDA. As it is, these accounts are reciprocal, thus balances should be equal. However, account confirmation with the BCDA revealed the following information:

Transactions	PPMC Books	BCDA Books	Difference
Capital Investment	Due to BCDA -current	Due from PPMC	
	10,207,819.67	19,875,918.73	9,668,099.06
Reimbursements	Due from BCDA	Due to PPMC	
	18,281,436.12	10,656,562.27	7,624,873.85

- 1.8. As can be gleaned above, discrepancies exist between the recorded balances of the PPMC and BCDA, contradicting the nature of reciprocal accounts. Discrepancies could be reasonable if verifiable with other records. However, verification of the discrepancies could not be possible due to the absence of a detailed schedule of the reciprocal accounts specifically identifying the particular capital investments, claims of reimbursement, and revenue collections comprising the year-end balances. It bears pointing out that the schedule maintained by the PPMC does not specifically present the composition of the year-end balances, rather, it only showed the transactions that have transpired affecting the accounts.
- 1.9. The non-reconciliation of balances impairs the principle of faithful representation which requires financial information to be complete, neutral, and free from error. Without a proper schedule identifying and substantiating individual components of the reciprocal accounts, the balances lack verifiability, thereby diminishing the reliability and usefulness of the financial statements for decision-making.
- 1.10. Moreover, Section 111 of PD No. 1445 requires that all financial transactions of government agencies be properly recorded and supported by adequate

documentation. The failure to reconcile and substantiate these reciprocal balances contravenes this provision, raising concerns over the accuracy of the accounts and the effectiveness of the entities' financial control mechanisms.

1.11. It is imperative that the PPMC's financial records be maintained with accuracy and reliability to ensure the fair presentation of financial statements. The integrity of account balances can only be achieved if year-end figures are adequately supported by complete, detailed, and verifiable documentation.

1.12. We reiterated the prior year's recommendation with modification that the Management direct the Accountant to:

- a. Reconcile the Due from BCDA and Due to BCDA accounts by identifying the specific capital investments, reimbursements, and revenue collections comprising the year-end balances, and record the necessary adjusting entries to reflect accurate and verifiable figures; and**
- b. Maintain a detailed subsidiary ledger or reconciliation schedule for each component of the reciprocal accounts and implement regular reconciliation procedures with BCDA to ensure consistency and accuracy of records.**

1.13. The Management agreed with the observation and to comply with the recommendations. A copy of the Reconciliation Statement of Due to/from BCDA accounts as of December 31, 2024, duly signed by both PPMC and BCDA, was submitted to the Audit Team on June 25, 2025. However, the necessary adjusting entries is yet to be recorded due to further verification of the reconciling items noted.

Erroneous classification of liabilities

2. Liabilities of the PPMC in the total amount of ₱2,848,617.44 were erroneously classified as Accounts Payable due to oversight, which is not in keeping with Commission on Audit (COA) Circular No. 2020-002 dated January 28, 2020, and the faithful representation principle of the revised Conceptual Framework for Financial Reporting (CFFR), thereby casting doubt on the accuracy, completeness and classification of accounts.

2.1 COA Circular No. 2020-002 dated January 28, 2020, prescribed the adoption of the Updated Revised Chart of Accounts (RCA) for Government Corporations (GC). The new chart of accounts shall be used for the recording of transactions effective January 1, 2019.

2.2 Moreover, the revised CFFR provides that:
Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only

represent relevant phenomena, but it must also faithfully represent the phenomena that it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error.

- 2.3 However, a review of the Schedule of Accounts Payable of the PPMC disclosed the following misclassified items:

Payee/Particulars	Amount (₱)	Prescribed Account
Government Service Insurance System	49,500.00	Due to GSIS
Bureau of the Treasury (BTR) - Regular Fund for Commission on Audit fees	166,042.00	Due to NGAs
BOD AS	51,370.14	Due to Officers & Employees
BOD EDR	17,500.00	Due to Officers & Employees
BOD JAS Jr.	7,043.00	Due to Officers & Employees
PPMC Provident fund	1,877,649.62	Due to Other Funds
Pag-ibig Fund	261,951.10	Due to Pag-Ibig
PhilHealth	139,334.62	Due to PhilHealth
Social Security System	278,226.96	Due to SSS
TOTAL	2,848,617.44	

- 2.4 Descriptions of the relevant accounts are as follows:

Account	Description
Accounts Payable	Credited to recognize receipt/acquisition of goods or services on account in the normal course of trade and business operation. It is also used to recognize liability set-up against current operation for unpaid claims filed or received and other unpaid expenses. This account is debited upon payment or settlement of liabilities, and/or adjustments
Due to Officers and Employees	Credited to recognize incurrence of liability to officers and employees for salaries, benefits and other emoluments including authorized expenses paid in advance by the officers and employees. This account is debited upon settlement or payment to officers and employees, and/or adjustments.
Due to GSIS	credited to recognize the withholding of employees' premium payments and other payables for remittance to the GSIS. This account is debited for the remittance of withheld amount, and/or adjustments.

Account	Description
Due to Pag-Ibig	Credited to recognize the withholding of employees' premium payments and other payables for remittance to the Home Development Mutual Fund (HDMF). This account is debited for the remittance of withheld amount, and/or adjustments.
Due to PhilHealth	Credited to recognize the withholding of employees' premium payments for remittance to the Philippine Health Insurance Corporation (PHIC). This account is debited for the remittance of withheld amount, and/or adjustments.
Due to SSS	Credited to recognize the withholding of employees' premium payments and other payables for remittance to the Social Security System (SSS). This account is debited for the remittance of withheld amount, and/or adjustments.
Due to NGAs	Credited to recognize receipt of funds for delivery of goods/services as authorized by law, fund transfers from National Government Agencies for the implementation of specific programs or projects subject to liquidation and other inter-agency transactions. This account is debited for delivery of goods/services, liquidation of funds received, settlement of liabilities, and/or adjustments.
Due to Other Funds	Credited to recognize the authorized receipt of funds from one fund to another fund maintained by the same government corporation. This account is debited for the return of the fund to the source fund, and/or adjustments.

- 2.5 Inquiry with the Finance Manager revealed that, under the current financial reporting system, Enterprise Resource Planning (ERP) Acumatica, bills issued to payees at year-end are temporarily recorded under the Accounts Payable. These are subsequently reclassified to the appropriate expense or asset accounts upon preparation of the corresponding checks in the following year.
- 2.6 However, such practice constitutes an erroneous classification of transactions, resulting in the misstatement of account balances as of year-end. This compromises the accuracy, completeness, and proper classification of affected accounts, thereby casting doubt on their fair presentation in the financial statements.

2.7 The following are the effects of the misclassified accounts:

Accounts	Effect	Amount
Accounts Payable	Overstated	2,848,617.44
Due to Officers and Employees	Understated	75,913.14
Due to GSIS	Understated	49,500.00
Due to Pag-Ibig	Understated	261,951.10
Due to PhilHealth	Understated	139,334.62
Due to SSS	Understated	278,226.96
Due to NGAs	Understated	166,042.00
Due to Other Funds	Understated	1,877,649.62

2.8 We recommended that Management instruct the Accountant to:

- a. Strictly observe proper recording of transactions in accordance with the Updated RCA for GCs to avoid misstatements in the financial statements; and
- b. Take up the adjusting entries.

2.9 The Management committed to comply with the recommendations to properly recognize financial transactions in its books in accordance with the descriptions of the accounts as provided in the 2019 Updated RCA. Likewise, payables amounting to ₱2,791,412.44 were already closed and paid in January 2025 and the remaining amount was reclassified under JV No. 00034479 dated June 23, 2025.

Extraordinary and Miscellaneous Expenses (EME)

3. Extraordinary and Miscellaneous Expenses (EME) amounting to ₱270,804.64 included payments for various expenses not falling within the coverage of COA Circular No. 2006-001 dated January 3, 2006 and Item 4 of the Governance Commission for GOCCs (GCG) Circular No. 2021-013, hence resulted in misclassification of expenses undermining the fairness of presentation of the affected expense accounts.

3.1 COA Circular No. 2006-001 was issued to prescribe rules and regulations specifically for government corporations to regulate the incurrence of EME and to ensure the prevention or disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable expenditures or uses of government funds.

3.2 The Circular states that:

This Circular shall be applicable to all GOCCs, GFIs and their subsidiaries. It shall cover extraordinary and miscellaneous expenses and other similar expenses, such as representation expenses and the like, discretionary, business development

expenses, provided that the nature or purpose of said expenditures pertain to any of the following:

- a. meetings, seminars and conferences;
- b. official entertainment;
- c. public relations;
- d. educational, athletic and cultural activities;
- e. contribution to civic and charitable institutions;
- f. membership in government associations;
- g. membership in national professional organizations duly accredited by the Professional Regulation Commission;
- h. membership in the Integrated Bar of the Philippines;
- i. subscription to professional technical journals and informative magazines, library books and materials;
- j. other similar expenses not supported by regular budget allocation.

The above enumeration is not exclusive and shall not prevent the inclusion of other similar disbursements which may be categorized as extraordinary and miscellaneous expenses within its contemplation.

- 3.3 Thus, following the above provisions, the nature and purposes of EME should only be those within the contemplation of the given enumeration. The general phrase “other similar expenses not supported by regular budget allocation” is specifically construed as limited and applies only to expenses of the same nature as those expressly enumerated.
- 3.4 Furthermore, GCG Compensation and Position Classification System (CPCS) Circular No. 2021-013 dated January 12, 2022 was promulgated for the payment of EME to officers of GOCCs which provides the same rates, guidelines and regulations as the above Circular and provisions of the GAA.
- 3.5 For CY 2024, the following expenses totaling ₱270,804.64 were charged against the EME account:

Nature of Expense	Amount
Meals	173,308.64
Bank Charges	1,100.00
Pre-employment Medical Examination	9,516.00
Uniform for Athletic Activities	86,880.00
Total	270,804.64

- 3.6 Considering that the aforementioned guidelines provide the specific nature and purpose of expenses chargeable as EME, the payments for bank charges, pre-employment medical examination, and repairs and maintenance of motor vehicles totaling ₱97,496.00 do not fall within the enumeration contemplated under COA

Circular No. 2006-001. Consequently, the balance of EME account was overstated by ₱97,496.00.

3.7 The Finance Manager informed that other miscellaneous expenses were being booked under EME account. However, this is contrary to COA Circular No. 2020-002 dated January 28, 2020, which was issued to implement the adoption of the Updated Revised Chart of Accounts (RCA) for Government Corporations (GC).

3.8 Descriptions of the affected accounts are as follows:

Account	Description
Extraordinary and Miscellaneous Expenses (50210030)	<p>This account is debited to recognize the amount paid for expenses incidental to the performance of official functions, such as: meetings and conferences, public relations, educational, cultural and athletic activities, membership fees in government organizations, etc. This account is credited, at year end, to close to the Revenue/Income and Expense Summary account, and/or effect adjustments.</p> <p>Subsidiary Ledgers: 01 – Extraordinary Expenses 02 – Miscellaneous Expenses</p>
Bank Charges (50301040)	<p>This account is debited to recognize the charges imposed by the banks for various services rendered excluding interest charges. This also includes cost of checkbooks, penalties and surcharges on overdrafts, telegraphic transfers and the like. This account is credited, at year end, to close the Revenue/Income and Expense Summary account, and/or effect adjustments.</p> <p>Subsidiary Ledgers: 01 – Motor Vehicles</p>
Repairs and Maintenance – Transportation Equipment (50213060)	<p>This account is debited to recognize the cost of repairs and maintenance on motor vehicles; trains; aircrafts and aircrafts ground equipment; watercrafts; and other transportation equipment. This account is credited, at year end, to close the Revenue/Income and Expense Summary account, and/or effect adjustments.</p>
Other Maintenance and Operating Expenses (50299990)	<p>This account is debited to recognize other operating expenses not falling under any of the specific maintenance and other operating expense accounts. This account is credited, at year end, to close the Revenue/Income and Expense Summary account, and/or effect adjustments.</p>

3.9 The Audit Team is of the view that operational expenses not covered by the enumeration under COA Circular No. 2006-001 should not be charged as EME, but should instead be properly classified and charged to the appropriate accounts. Thus, the recorded EME ₱97,496.00 be reclassified to the following accounts:

3.10 We recommended that Management:

- a. **Direct the Accounting Unit to ensure that all reimbursements recorded as EME fall within the contemplation of the enumeration provided in COA Circular No. 2006-001 and GCG Circular No. 2021-013;**
- b. **Strictly allocate the budget for EME solely for expenditures that fall within the allowable items prescribed in COA Circular No. 2006-001 and GCG Circular No. 2021-013 and within the fixed amount limitation set under the GAA; and**
- c. **Instruct the Accountant to properly recognize financial transactions in the books by considering their nature and in accordance with the 2019 Updated RCA and take up the following adjusting entries:**

<i>Bank Charges</i>	<i>1,100.00</i>	
<i>Other MOOE</i>	<i>96,316.00</i>	
<i>Extraordinary and Miscellaneous Expenses</i>		<i>97,416.00</i>

3.11 The Management recognized the observation and commented that the recommended adjustment will be taken-up this CY 2025 and will be reflected in the restated Financial Statements for CY 2024.

B. OTHER FINANCIAL RELATED ISSUES

Procured meals for meetings

4. **Meals procured during regular and special meetings totaling ₱408,348.00 included those for individuals who were not actual or mandatory attendees due to the absence of judicious planning, thus, not in consonance with Section 2 of PD No. 1445 thereby undermining the principles of efficiency, economy, and effectiveness in government operations and reflects weak internal planning and control mechanisms in the conduct of official activities.**

4.1. Section 2 of Presidential Decree No. 1445, known as the “Government Auditing Code of the Philippines” cited:

It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of

government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

- 4.2. In this regard, it bears emphasis that all procurement activities of the PPMC must be judiciously planned to uphold the declared policy, particularly with respect to recurring expenditures that are regularly incurred by the agency, to ensure that such disbursements remain necessary, economical, and aligned with applicable rules and regulations.
- 4.3. Post-audit of transactions revealed that the number of meals and snacks procured for various meetings, totaling ₱408,348.00, the majority of which were during Board of Directors (BOD) meetings, frequently exceeded the actual number of attendees. It was noted that meals were provided to BOD members who attended virtually, as well as to non-participants, including nearly all employees located in the Administration Building, regardless of their actual involvement in the meetings.
- 4.4. This practice indicates the absence of a pre-determined and validated list of required attendees, which is critical in obtaining accurate quotations and avoiding the procurement of excess meals.
- 4.5. Austerity and prudence must be consistently observed in the disbursement of government funds. The amount incurred could have been significantly reduced—or entirely avoided—through proper planning and a more accurate determination of actual participants in the meetings. It is imperative that all government resources are managed and expended in a manner that upholds the principles of efficiency, economy, and effectiveness, in accordance with established policies and regulations governing the use of public funds.
- 4.6. **We recommend that Management discontinue the provision of unnecessary meals and snacks and exercise greater prudence and accountability in the procurement process which includes the prior identification and documentation of required and authorized attendees as a basis for determining accurate quantities to be procured.**
- 4.7. The Management explained that the provision of additional meals during Board of Directors' meetings was due to the participation of key personnel from the management committee and other invited stakeholders or resource persons, who were requested to present reports, provide technical input, or respond to queries raised during the proceedings. The additional meals were therefore intended to ensure proper accommodation and courtesy for all official participants.
- 4.8. Nonetheless, the Management recognized the importance of aligning procurement with actual and documented requirements and committed to implementing measures that will ensure future meal procurements are based on approved

attendance lists and justified needs, in adherence to principles of efficiency and accountability in the use of public funds.

Monetization of Leave Credits

5. **The PPMC granted monetization of leave credits more than the allowable number of days due to a misinterpretation of the Omnibus Rules Implementing Book V of Executive Order (EO) No. 292, resulting in the employees' leave credits falling below the prescribed minimum balance, thereby posing a risk of service disruption that may affect their salary, SSS service record and eligibility for benefits.**

- 5.1 Applicable provisions on Rule XVI of the Omnibus Rules Implementing Book V of EO No. 292 or the Revised Administrative Code of 1987 states that:

Section 22 Monetization of leave credits. -

Officials and employees in the career and non-career service whether permanent, temporary, casual, or coterminous, who have accumulated fifteen (15) days of vacation leave credits shall be allowed to monetize a minimum of ten (10) days: Provided, that at least five (5) days is retained after monetization and provided further that a maximum of thirty (30) days may be monetized in a given year.

Section 23 Monetization of 50% or more of vacation leave/sick leave credits. -

Monetization of fifty percent (50%) of all the accumulated leave credits may be allowed for valid and justifiable reasons subject to the discretion of the agency head and the availability of funds.

- 5.2 Accordingly, a maximum of 30 days shall generally be allowed to be monetized in a given year. However, under special conditions, 50% or more of the total accumulated vacation leave (VL) and sick leave (SL) may be commuted for any valid and justifiable reason subject to the approval of the head of agency and availability of funds. Notwithstanding, there shall be five vacation leave credits to be retained after monetization.
- 5.3 Post-audit of the 53 monetization payments for CY 2024 disclosed that 10 employees were granted monetization more than 50% of all their accumulated leave credits, resulting in their remaining leave balances falling below the minimum required balance of five VL credits after monetization, as prescribed under the Omnibus Rules Implementing Book V of EO No. 292.
- 5.4 The monetization of the concerned employees has exceeded the limitations set forth under the Omnibus Rule. This is in disregard of the purpose of vacation and

sick leave which is to provide leeway to personnel in case they could not go to work due to sickness and other emergency situations. This irregularity compromises the intent of the rule, which is to ensure that employees maintain sufficient leave credits for emergency or health-related absences.

5.5 The Management reasoned that monetization of 50% or more under Sec. 23 of the Omnibus Rule does not expressly require the retention of five VL credits.

5.6 However, Civil Service Commission (CSC) Opinion No. 21, s. 2005 states that:

For the purpose of alleviating the financial difficulty of an employee in extraordinary circumstances, Section 23 was added in the rules as an exception to Section 22. Xxx. The employee is also required to retain five days' vacation leave credits because monetization under this section should still be in accordance with Section 22.

5.7 Apparently, CSC Opinion No. 21, s. 2005 declared that the retention of five days of VL after monetization is a mandatory requirement both in regular monetization under Section 22 and in extraordinary monetization under Section 23 of the Omnibus Rule. Furthermore, it states that whether it is Section 22 or Section 23 that is applied, monetization is chargeable against VL credits and that SL, which should be used in the contingency of sickness, may be monetized only after the exhaustion of an employee's VL credits.

5.8 Consequently, when concerned employees are left with insufficient leave credits but are compelled to go on leave due to emergency or health-related reasons, such may result in leave without pay (LWOP), which can affect their service records and overall employment benefits. During LWOP, no salary is received, thus, mandatory contributions to the Social Security System (SSS), Home Development Mutual Fund (HDMF) or Pag-Ibig, and Philippine Health Insurance Corporation (PhilHealth) are not remitted unless voluntarily paid. This may lead to gaps in contributions, which could affect the employees' loan eligibility, insurance coverage, and future benefit claims. These deficiencies reflect inadequate monitoring and control over leave balances.

5.9 Moreover, the lack of adherence to established regulations undermines the PPMC's internal control mechanisms and weakens the enforcement of civil service rules. It also sets a precedent for policy deviations, which may lead to future inconsistencies in the administration of employee benefits.

5.10 **We recommended that Management strengthen the review and approval process for monetization requests by requiring the Human Resource Office to verify leave balances and ensure compliance with the provisions of Sections 22 and 23 of Rule XVI of the Omnibus Rules Implementing Book V of EO No. 292, as clarified by CSC Opinion No. 21, s. 2005, particularly the**

mandatory retention of five vacation leave credits after monetization, whether under regular or extraordinary circumstances, prior to endorsement and approval.

- 5.11 The Management acknowledged the observation and justified that under Item IV of the CPCS Implementing Guidelines No. 2021-001, a Non-Chartered GOCC shall issue through their respective Governing Boards, internal guidelines on leave credits monetization using as reference CSC MC No. 41, s. 1998. The PPMC issued a Policy on Monetization of Leave Credits which according to them does not include any provision on the retention of 5 days VL after monetization because there is also no such explicit provision under CSC MC No. 41. Furthermore, it is their understanding that while CSC Circulars were used as a reference in formulating PPMC's Policies on Monetization of Leave Credits; CSC Opinion No. 21 does not apply to PPMC because the CSC does not govern the PPMC.
- 5.12 It was further stated that upon review of the monetizations, 11 out of the aforesaid 14 monetization payments were granted to employees who have previously availed of vacation leave prior to the grant of monetization. PPMC considered these availments as part of the 5- day mandatory/forced leave. If said number of days availed of as vacation leave were added to the vacation leave balances prior to monetization, then the vacation leave balances would be five (5) or more vacation leave days after monetization. This means that only three (3) monetization payments were granted to two (2) employees wherein the balances were below 5 days after monetization.

Auditor's Rejoinder

- 5.13 The provision on the five-day minimum required VL balance after monetization under the Omnibus Rule and CSC MC No. 41 is clear and unambiguous; the provisions are not subject to interpretation. The phrase "after monetization" means the balance of VL credits after deducting the monetization, regardless of leave availment prior to monetization. Moreover, the PPMC's Manual of Personnel Policies on Monetization of Leave Credits Item 3.1 expressly provided the same provisions under Section 22 of CSC MC No. 41. Therefore, invoking the absence of CSC jurisdiction over PPMC does not nullify its own formally adopted internal policy that mirrors the CSC rule. The practice should be discontinued to ensure adherence to established rules on leave monetization and to prevent setting a precedent that may lead to further deviations.

Gender and Development (GAD)

6. The PPMC complied with the provision of at least 5% allocation for GAD programs and activities from its Corporate Operating Budget (COB) pursuant to PCW MC No. 2022-03 and Sec. 35 of FY 2024 GAA.

6.1 The PPMC allocated ₱11,800,858.66 or 7.13% of the ₱165,605,429.00 COB as GAD Budget. Review of the GAD Accomplishment Report revealed that its actual GAD Expenditure for CY 2024 amounted to ₱24,003,371.97 or 7.36% higher than the budgeted amount.

Compliance with Tax Laws

7. The PPMC remitted a total of ₱8,725,975.98 to the BIR in 2024 in compliance with RA No. 8424 and its IRR under BIR Revenue Regulation (RR) No. 02-98 for the following taxes:

Source	Balance as of 12/31/23	Taxes Withheld	Taxes Remitted	Balance as of 12/31/24
Professional/ Consultancy	11,333.33	219,120.21	219,564.65	10,888.89
Taxes on compensation	600,930.12	5,898,312.31	5,905,618.83	593,623.60
Creditable withholding taxes	126,936.46	2,590,282.52	2,600,792.50	116,426.48
Total	739,199.91	8,707,715.04	8,725,975.98	720,938.97

Government-mandated Deductions

8. In compliance with statutory requirements on government-mandated contributions, the PPMC ensured the timely remittance of employees' withheld contributions along with the agency's share to the concerned government agencies in CY 2024, as follows:

Particulars	Amount		
	SSS	Pag-Ibig	PhilHealth
Balance, 01/01/2024	7,989.50	5,250.00	2,336.25
Withheld	2,903,230.50	541,513.25	870,478.77
Remittances	2,908,340.00	539,863.25	871,542.25
Balance, 12/31/2024	2,880.00	6,900.00	1,272.77

- 8.1 Pursuant to RA No. 11199, a total of ₱2,908,340.00, comprising employees' withheld contributions and the PPMC's share, was duly remitted to the SSS in CY 2024.

8.2 The PPMC remitted ₱539,863.25 to Pag-Ibig in CY 2024, covering both employees' withheld contributions and the agency's share in compliance with RA No. 9670.

8.3 As mandated by RA No. 7875, as amended, a total of ₱871,542.25, representing employees' withheld contributions and the PPMC's share, was properly remitted to the PhilHealth in CY 2024.

Status of Audit Suspensions, Disallowances and Charges

9. There was no issued notice of suspension, disallowance or charge in 2024. However, as of December 31, 2024, its disallowances totaling ₱1,084,904.05 are under appeal.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 24 prior years' audit recommendations, 20 were implemented, four were not implemented as detailed below:

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>1. The ₱96,647,923.90 Investment Property (IP) of PPMC in its Statement of Financial Position (SFPO) as of December 31, 2023, consists of lands costing ₱16,416,169.40 located within the Poro Point Freeport Zone (PPFZ) and ongoing construction of properties totaling ₱80,231,754.50, both held in trust by PPMC on behalf of BCDA. The nature of the mentioned properties does not fall within the definition of Investment Property as prescribed under the 2019 Revised Chart of Accounts (RCA) thereby affecting the fair presentation of the account in the SFPO.</p> <p>We recommended that Management direct the Accounting Division to reclassify the ₱96,647,923.90 IP to the Other Assets account to fairly present the SFPO of the PPMC.</p>	AAR CY 2023 (page 28)	The ₱96,647,923.90 IP account has already been reclassified to the Other Assets account under Journal Voucher No. 00027180 dated April 30, 2024.	Implemented
2. The year-end balances of reciprocal accounts Due from BCDA and Due to PPMC, and Due to BCDA - current and Due from PPMC in the books of PPMC and BCDA, show discrepancies of ₱3,783,785.79 and	AAR CY 2023 (page 30)		Reiterated under Observation No. 1 in Part II of this Report.

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>₱2,916,430.09, respectively, that cannot be verified with the supporting schedules of the accounts. These are not in conformity with PAS 1 – Presentation of Financial Statements, thereby affecting the fair presentation of the accounts in the Statement of Financial Position of the PPMC.</p> <p>We recommended that Management direct the Accounting Division to:</p> <ol style="list-style-type: none"> Specifically identify the capital investments, reimbursements, and revenue collected that comprise the year-end balances of the Due from BCDA and Due to BCDA accounts; Reconcile the balances with the BCDA, and Take up the appropriate adjusting entries to present fairly the account balances in 		<p>The report detailing the composition of the year-end balances of the Due from BCDA and Due to BCDA accounts was submitted on May 28, 2024.</p> <p>A reconciliation of PPMC's accounts was conducted, and the corresponding report was submitted to the Team. However, as of December 31, 2024 upon account confirmation with BCDA, a discrepancy between the reciprocal accounts of BCDA and PPMC was again noted.</p> <p>The Management is yet to comply with the recommendation</p>	<p>Implemented</p> <p>Not Implemented</p> <p>Not Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
the Financial Statements.			
<p>3. The reclassification of ₱104,468.12 long outstanding due from officers and employees, ranging from one year to 16 years, as government expenditures was solely based on certifications, which does not adhere to Section 4 of the PD No. 1445 and COA Circular No. 2012-001 dated June 14, 2012. These adjustments were made without complete, sufficient, and relevant basis, thereby understating both the Due from Officers and Employees and the Retained Earnings accounts by the same amount.</p> <p>We recommended that Management direct the Accounting Division to revert the remaining ₱69,072.17 to Due from Officers and Employees and effect reclassification to government expenses only upon submission of complete, sufficient, and relevant supporting documents that would warrant charging against government funds. Further, the establishment and the enforcement of a period within which to submit necessary supporting documents is encouraged considering the age of these receivables, otherwise, these receivables should become final, due, and demandable upon the lapse of time.</p>	AAR CY 2023 (page 32)	The required adjusting entry has been recorded under Journal Voucher No. 00027176 dated April 30, 2024.	Implemented

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>4. The PPMC recognized and recorded as an expense a 20% Development in Progress – Website asset costing ₱52,000.00, and various expenses totaling ₱1,340,504.51. These entries are not in accordance with the definitions of accounts as prescribed under the 2019 RCA, and do not conform with PAS 1 – Presentation of Financial Statements, thereby affecting the fair presentation of the accounts in the financial statements.</p> <p>We recommended that Management direct the Accountant to:</p> <p>a. Take up the adjusting entries</p> <p>b. Properly recognize financial transactions in the books by considering the nature of the transactions that occurred together with the descriptions of the accounts as provided in the 2019 RCA. This ensures the budgeted amounts are properly utilized and the accounts are fairly presented in the Financial Statements.</p>	<p>AAR CY 2023 (page 35)</p>	<p>The Development in Progress – Website asset costing ₱52,000.00 has been reclassified under Journal Voucher No. 00027407 dated May 24, 2024.</p> <p>Descriptions of the accounts provided in the 2019 RCA have been considered in the preparation of the PPMC Corporate Budget.</p>	<p>Implemented</p> <p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>5. The PPMC paid one-year insurance coverage for its service vehicles and recorded the same as outright expenses, which does not conform with PAS 38 – Intangible Assets and the matching principle in accounting, thereby overstating insurance expenses by ₱14,680.37 and understating prepaid insurance by the same amount.</p> <p>Moreover, disbursements on registration renewal include payments for penalties due to delayed registration leading to unnecessary expenses totaling ₱4,625.30.</p> <p>We recommended that Management direct:</p> <p>a. The Accountant to:</p> <p>i. To draw the adjusting entry</p> <p>ii. Henceforth, record payments for prepaid expenses as an asset and take the appropriate adjusting entry to properly reflect the expensed portion.</p> <p>b. The Administrative Division to conduct an inquiry into the delayed renewal of vehicle</p>	<p>AAR CY 2023 (page 39)</p>	<p>Insurance prepayments have been reclassified under Journal Voucher No. 00027419 dated May 27, 2024.</p> <p>Insurance and registration payments have been recorded as prepaid assets starting in June 2024.</p> <p>Penalties amounting to ₱4,625.30 were recognized and taken up in the books as Due from</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>registration and determine the accountable official or employee who should bear the responsibility of paying the penalties.</p>		<p>Officers and Employees under Journal Voucher No. 00027412 dated May 27, 2024.</p>	
<p>6. The procurement contract to conduct a Stakeholder Satisfaction Survey for the year 2022, with a contract cost of ₱257,297.60 was awarded to an educational institution, a non-bonafide supplier, which is not in accordance with the Revised Implementing Rules and Regulations (IRR) of RA No. 9184, thereby raising concerns about the quality and reliability of the services provided and potentially compromising the integrity and usefulness of the survey results.</p> <p>We recommended that Management direct the PPMC BAC to include in its bid evaluation process the verification of business registrations of prospective suppliers, contractors, and consultants to determine whether the business operations as officially registered are within the Technical Specifications, Scope of Work, or Terms of Reference prepared by the end user.</p>	<p>AAR CY 2023 (page 42)</p>	<p>The Head of the Procuring Entity has directed the members of the BAC to implement the recommendation through a Memorandum dated May 22, 2024.</p>	<p>Implemented</p>
<p>7. The terms of the purchase orders in the procurement of air conditioning units affecting compliance by the</p>	<p>AAR CY 2023 (page 44)</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>supplier were amended but were not properly substantiated contrary to Section 4 of the PD No. 1445 and COA Circular 2012-001 dated June 14, 2012, thus the accuracy and the propriety of the amount paid to the supplier could not be verified with certainty.</p> <p>We recommended that Management direct the BAC to submit the necessary documents to justify that the supplier did indeed intend to deliver the air conditioning units within the terms of the purchase orders, excluding the weekend installation preference of the PPMC Management, and to verify that the amount paid to the supplier was proper.</p>		<p>The submitted justifications confirmed that that the supplier intended to deliver the goods within the terms of the purchase order. The Administrative Officer of the PPMC rescheduled the delivery through phone messages and calls, thus were not properly documented.</p> <p>Nonetheless, the BAC committed to sending official communications to suppliers to keep track of and document any amendments to purchase orders.</p>	Implemented
<p>8. The lack of proper coordination in procuring hotel accommodation for members of the governing board resulted in unoccupied rooms raising doubts on the necessity of procuring a 28-person capacity accommodation, which does not adhere to Section 2 of PD No. 1445. This also undermined the principles of efficiency and economy in government operations.</p>	AAR CY 2023 (page 47)		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>We recommended that Management direct the:</p> <p>a. Board Secretary to reduce in writing all official communications conveyed by the governing board members, as well as the officials and employees of the PPMC through any allowed means;</p> <p>b. Procuring Unit to process procurement of hotel accommodations based on requests from the governing board members duly approved by the President to properly establish accountability in cases of cancellation of attendance, and</p> <p>c. Establish a control policy on requesting hotel accommodation, the allowed time to cancel such request, and any cancellation beyond the allowed time are to be shouldered personally by the requesting party to avoid waste of government funds.</p>		<p>Board Resolution No. 2024-07-92 was issued dealing with the hotel accommodation requests for the Board of Directors' (BOD). The resolution mandated that the Board Secretary maintain detailed records of all communications related to BOD hotel accommodations and cancellations. It also established a formal process flow and control mechanism for BOD members to request hotel accommodations, ensuring transparency and accountability in the process.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>9. The PPMC's traveling expenses of ₱84,150.00 include several issues: inadequate documentation, claims of improper Daily Traveling Expenses (DTE) rates, double claims of DTE</p>	<p>AAR CY 2023 (page 48)</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>in three instances, claims of lodging apportionment of DTE in five single-day travels, and payment of deluxe equivalent transportation fares. These expenses do not comply with PD No. 1445, COA Circular No. 2012-001 dated June 14, 2012, and Executive Order (EO) No. 77, resulting in excessive payments totaling ₱15,694.00, thus casting doubts on the propriety of the ₱84,150.00 travel expenditure due to inadequate documentation.</p> <p>We recommended that Management direct the:</p> <p>a. PPMC Cashier to:</p> <ol style="list-style-type: none"> i. complete and submit the lacking certificates of appearance, and ii. revise the actual travel itineraries to conform with the dates of appearances as indicated in the certificates and reflect the proper DTE rates based on actual destinations. <p>b. PPMC Accountant to:</p> <ol style="list-style-type: none"> i. cause the refund of the excess payments as identified, and 		<p>The PPMC provided a copy of the Summary of Justification and necessary revisions regarding travel expenses of the cashier on October 18, 2024.</p> <p>A copy of Journal Voucher No. 00027417, dated May 27, 2024 was submitted, reflecting the recognition of Due from Officers and Employees</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>ii. strictly implement travel expense guidelines and monitor personnel travels to prevent excessive spending of government funds.</p>		<p>amounting to ₱4,644.00, representing ₱3,300.00 excess DTE and ₱1,344.00 deluxe fare.</p> <p>The PPMC has started to strictly implement the travel expense guidelines under EO No. 77.</p>	Implemented
<p>10. Due to lack of control mechanisms on the reimbursable expenses claimed by the members of the BOD, such as fuel and meal reimbursements, several expenses were paid without restrictions contrary to the fundamental principles of PD No. 1445, EO No. 24 and BCDA Revised Policy and Guidelines on the Reimbursable Expenses (RPGRE) of the Board of Directors dated November 1, 2017, thereby raising concerns about the reasonableness, necessity, and propriety of the reimbursements noted.</p> <p>We recommended that Management:</p> <p>a. Require the concerned members of the BOD to submit justifications on the noted deficiencies in order for the Audit Team to</p>	AAR CY 2023 (page 52)	<p>A member of the BOD paid ₱6,072.00 on May 30, 2024, per OR No. 5001033 representing the cost of fuel expenses.</p>	Implemented

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>render an appropriate audit action; and</p> <p>b. Adopt control mechanisms aimed at ascertaining the reasonableness, necessity, and propriety of the amounts claimed by the members of the BOD.</p>		<p>The BOD during its 256th Regular Meeting held on July 11, 2024, at Baguio City has approved a financial policy on reimbursement of the PPMC Board per Board Resolution No. 2024-07-92.</p>	<p>Implemented</p>
<p>11. Transportation expenses amounting to ₱148,652.24 representing costs of fuel were reimbursed to members of the BOD notwithstanding the board meetings were conducted online using the zoom platform, the place of meetings were in close proximity with their residence and employment and the inconsistency of details appearing in the invoices used to support their claims, contrary to PD No. 1445 and COA Circular 2012-001 dated June 14, 2012, thereby affecting the necessity, validity, and legality of the transactions.</p> <p>We recommended that Management:</p> <p>b. Cause the refund of transportation expenses amounting to ₱148,652.24 representing the costs</p>	<p>2022 AAR (Page 45)</p>	<p>The Management committed to discontinue the practice. They further requested consideration on the grounds that the</p>	<p>Deemed Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
of fuel reimbursed to members of the Board of Directors.		total annual reimbursable expenses incurred did not exceed the prescribed annual threshold.	
<p>12. The inaction of the Management to require the contractor to perform its obligations under the construction contract caused delay in the work completion of the project, Baywalk with Events Center, costing ₱60,156,383.46 contrary to pertinent provisions of 2016 Revised IRR of RA No. 9184, thus, had been incurring liquidated damages of ₱5,464,892.98 from May 31, 2016 to September 30, 2018. Likewise, several damages were noted during technical inspection.</p> <p>We reiterated the prior years' recommendation that Management:</p> <p>a. Require the contractor for the immediate completion of the project, otherwise, enforce legal action against the latter, terminate the contract and enforce rights against the performance security posted by the contractor.</p>	2019 AAR Page 27	<p>A series of communications and meetings transpired between the Contractor, the BCDA, and PPMC to reach a possible settlement of the issues; however, that settlement did not materialize.</p> <p>However, PPMC has already undertaken the following, to wit:</p>	<p>Not Implemented; however, not reiterated in view of the ongoing corrective actions and initiatives currently being undertaken by Management.</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>b. Charge the contractor for the liquidated damages incurred for the period covering May 31, 2016 to the actual completion or termination; Provide the Audit Team the actual Statement of</p>		<p>a. PPMC Board of Director's in its May 10, 2024, 254th Regular Board Meeting thru PPMC Board Resolution No. 2024-05-70 reiterates the long approved termination of the Contract with WERR Corporation International for the Construction of Baywalk with Events Center;</p> <p>b. The BCDA, in its letter to PPMC dated May 10, 2024, has approved PPMC's request for Supplemental Budget amounting to ₱5,100,000.00 to finance the repair works of the dilapidated gazebos located at the Poro Point Baywalk, chargeable against the retention money of the project. The Project is ongoing as of the report date.</p> <p>The PPMC provided the Audit Team the computed liquidated damages from May 31, 2016 to April 30, 2024 amounting to ₱2,138,652.22. The LD is yet to be discussed with the contractor since the computed items of</p>	<p>Not Implemented; however, not reiterated in view of the ongoing corrective actions and initiatives</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>Work Accomplishment showing that the contractor resumed work after expiry date of the project which serve as basis for the reduction of liquidated damages incurred for the period covering May 31, 2016 to the actual completion or termination.</p>		<p>remaining works for the Amphitheater were not yet final and are subject to the result of joint quantification/ verification.</p>	<p>currently being undertaken by Management.</p>