

Forwarded to GMA (Arlene)  
9 July 2014 4:25pm



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

July 8, 2014

**JAMIE ELOISE M. AGBAYANI, M.D.**  
President and CEO  
John Hay Management Corporation  
Camp John Hay  
Baguio City



**John Hay Management Corporation**  
a member of the BCDA Group  
OPCEO-IN-2014-0466

**Dear Ms. Agbayani:**

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the John Hay Management Corporation (JHMC) for the year ended December 31, 2013.

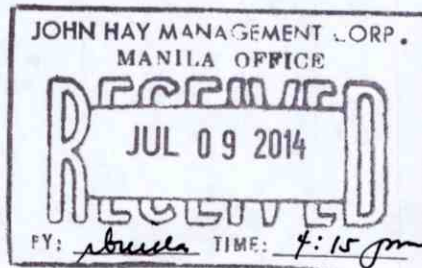
The report consists of the Independent Auditor's Report, the Audited Financial Statements, the Audit Observations and Recommendations, and the Status of Implementation of Prior Years' Audit Recommendations.

We expressed a qualified opinion on the fairness of presentation of the financial statements because property and equipment account is overstated as it includes office building with net book value of P15.349 million belonging to the BCDA. Relatedly, depreciation expense for the year of P3.711 million is overstated and the reported net profit of P3.036 million is understated, both by the amount of P0.739 million. On the other hand, property and equipment stated at a net book value of P10.391 million could not be established because the records maintained by the accounting and property offices were not updated and reconciled. We were not able to perform alternative audit procedures because of the inadequacy of accounting records.

The significant observations and recommendations that need immediate action are as follows:

1. Unserviceable property and equipment totaling P11.283 million remain undisposed as of December 31, 2013, occupying space which could have been used by JHMC for other useful purposes and the proceeds from sale of which could have augmented Management resources that could have been available for worthwhile undertakings.

We recommended that Management conduct the disposal of the unserviceable property and equipment in accordance with Section 79 of the Government Auditing Code of the Philippines (P.D. 1445) which provides that when government property has become unserviceable, it may be destroyed or if found to be valuable, it may be sold at public auction to the highest bidder.



2. Collection inefficiency and incomplete documentation resulted in accumulation of long-term accounts receivable (net) to P10.781 million.

We recommended that Management:

- a) Establish claims on long-term accounts receivable by working back and if necessary reconstruct supporting documents of valid claims like bills and statement of accounts;
  - b) Provide allowance for doubtful accounts and request for write-off of uncollectible accounts with the COA; and
  - c) Enforce the collection of valid accounts. Send demand letters or withhold payment of money claims due to affected employees and others.
3. The Retirement Plan for JHMC officers and employees lack the prior approval of the President of the Philippines.

We recommended that the JHMC Retirement Policy No. 012-2004 be set aside and instead apply the amount equivalent to one-half (1/2) month salary for every year of service in accordance with RA 7641, the Retirement Pay Law. Any excess payment of retirement pay shall be disallowed in audit.

The other audit observations together with the recommended courses of action which were discussed with concerned Management officials and staff during the exit conference conducted on April 29, 2014 are presented in detail in Part II of the report.

We respectfully request that the recommendations contained in Part II of the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and returning the same to us within 60 days from the date of receipt hereof.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

**COMMISSION ON AUDIT**

By:

  
**LEILA S. PARAS**  
Director IV

**Copy furnished:**

The President of the Republic of the Philippines

The Vice President

The Speaker of the House of Representatives

The Chairperson - Senate Finance Committee

The Chairperson - Appropriations Committee

The Secretary of the Department of Budget and Management

The Governance Commission for Government-Owned or Controlled Corporations

The Presidential Management Staff, Office of the President

The UP Law Center

The National Library

[ Name of the Agency and Address ]

**AGENCY ACTION PLAN and  
STATUS of IMPLEMENTATION**  
Audit Observations and Recommendations  
For the Calendar Year 20XX  
As of \_\_\_\_\_

Ref.	Audit Observations	Audit Recommendations	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 Agency 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, Philippines*

## **ANNUAL AUDIT REPORT**

on the

**JOHN HAY MANAGEMENT CORPORATION**  
(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)

**For the Year Ended December 31, 2013**

## EXECUTIVE SUMMARY

### Introduction

John Hay Management Corporation (JHMC), a wholly-owned subsidiary of the Bases Conversion and Development Authority (BCDA), has the mission to develop Camp John Hay into a premier tourist and investment destination that enforces efficient and effective regulation; ensures sustainable multiple use of the forest watershed; and contributes to national economic growth and job generation.

JHMC envisions that by 2018, Camp John Hay shall have transformed into the primary catalyst for the tourist development within the Cordillera Region and the leader of environment and forest stewardship in the Philippines.

### Scope and Objectives of Audit

The audit covered the accounts, transactions and operations of JHMC for calendar year 2013. It was aimed at expressing an opinion as to whether the financial statements present fairly the Corporation's financial position, results of operations and cash flows, and at determining the Corporation's compliance with pertinent laws, rules and regulations, as well as the efficiency and effectiveness of operations.

### Operational Highlights

JHMC highlights for the year 2013 disclosed remarkable accomplishments toward attaining its mission to ensure sustainable multiple use of the forest watershed and its vision to gradually transform Camp John Hay to be the leader of environment and forest stewardship in the Philippines. Among its accomplishments are the following:

1. Water Sources Development Project in the John Hay Reservation Area

The project will primarily enable JHMC to develop its watershed resources into a sustainable water venture while addressing the needs of communities in the John Hay Reservation Area (JHRA) and the business establishments in the John Hay Special Economic Zone (JHSEZ) and the Baguio City Economic Zone. The project also aims to prevent the illegal extraction of water.

2. Forest Research on Pest Infestation and/or Disease

The consultancy services of the team of forest pathologists from the Benguet State University was engaged in 2013 to evaluate, among others, the *Ips calligraphus*, a bark beetle infesting and damaging pine trees in Camp John Hay, make recommendations for its prevention and control and assist the JHMC in formulating a sustainable forest management program.

3. Barangay-based Firelines

The barangay-based fireline establishment and maintenance, which aims to prevent and control the spread of forest fires should they occur, was accomplished in five barangays with a total area of 48,228 square meters in the JHRA, in addition to the 34,320 square meters covered in 2012.

#### 4. National Greening Program

In compliance with Executive Order No. 21, otherwise known as the National Greening Program of the government, JHMC conducted the planting of suitable trees (such as Benguet pine and coffee) within inadequately-stocked areas of Camp John Hay throughout the year with the participation of students, barangay representatives and environment-oriented organizations resulting in the birth of about 7,665 trees, in addition to the 7,450 trees planted in 2012.

#### 5. Regulatory Services/Forest Patrol

In partnership with the DENR, JHMC further intensified its forest protection efforts through strict enforcement of forestry laws, rules and regulations with the apprehension of parties involved in illegal tree cutting, occupancy, excavation and small scale mining activities.

#### 6. Adopt an Estero/Waterbody Program

In support of the program, JHMC conducted and sponsored a clean-up drive of canals, esteros and waterways within and outside the JHRA, particularly areas identified to the tributaries of the Bued River. Roughly 200 cubic meters of solid wastes were extracted from such activity participated by 200 individuals from different barangays and partner groups.

#### 7. Environment Management Program

JHMC conducted monitoring activities to ensure compliance of locators and other enterprises within the JHSEZ with all pertinent environmental, solid waste management and forestry standards, laws, rules and regulations. Likewise, JHMC completed the disposal of hazardous (asbestos-containing) waste materials in Area 1 of JHRA and completed issuance of Certificates of Environmental Compliance (CEC) after thorough evaluation of each application. Most importantly, JHMC consistently surpassed the National Ambient Air Quality Standards within the JHSEZ.

### Financial Highlights

<i>Financial Position</i>	2013	2012	Increase (Decrease)
Assets	167,281,901	166,969,707	312,194
Liabilities	300,245,060	296,151,794	4,093,266
Capital Deficiency	(132,963,159)	(129,182,087)	(3,781,072)

<i>Results of Operation</i>	2013	2012	Increase (Decrease)
Total Income	79,068,698	71,274,840	7,793,858
Personal Services	21,407,317	22,487,493	(1,080,176)
MOOE and Other Expenses	53,280,395	41,629,818	11,650,577
Income Tax Expense	1,345,104	0	1,345,104
	76,032,816	64,117,311	11,915,505
Net Profit	3,035,882	7,157,529	(4,121,647)

The increase in gross income for the year of P7.794 million is brought mainly by the increase in estate management fee, lease rentals from the Philippine Economic Zone Authority (PEZA), regulatory fees and ticket sales at the Historical Core. However, such increase was largely used up by the increase in security services of P7.180 million. Security service was augmented to enforce environment and forest protection laws, rules and regulations within Camp John Hay.

### **Independent Auditor's Report on the Financial Statements**

We rendered a qualified opinion on the fairness of presentation of the financial statements because property and equipment account is overstated as it includes office building with net book value of P15.349 million belonging to the BCDA. Relatedly, depreciation expense of P3.711 million for the year is overstated and the reported net profit of P3.036 million is understated, both by the amount of P0.739 million. On the other hand, property and equipment stated at a net book value of P10.391 million could not be established because the records maintained by the accounting and property offices were not updated and reconciled. We were not able to perform alternative audit procedures because of the inadequacy of accounting records.

### **Other Significant Audit Observations and Recommendations**

1. Unserviceable property and equipment totaling P11.283 million remain undisposed as of December 31, 2013, occupying space which could have been used by JHMC for other useful purposes and the proceeds from sale of which could have augmented Management resources that could have been available for worthwhile undertakings.

We recommended that Management conduct the disposal of the unserviceable property and equipment in accordance with Section 79 of the Government Auditing Code of the Philippines (P.D. 1445) which provides that when government property has become unserviceable, it may be destroyed or, if found to be valuable, it may be sold at public auction to the highest bidder.

2. Collection inefficiency and incomplete documentation resulted in accumulation of long-term accounts receivable (net) to P10.781 million.

We recommended that Management:

- a) Establish claims on long term accounts receivable by working back and, if necessary, reconstruct supporting documents of valid claims like bills and statement of accounts;
- b) Provide allowance for doubtful accounts and request for write-off of uncollectible accounts with the COA; and
- c) Enforce the collection of valid accounts. Send demand letters or withhold payment of money claims due to affected employees and others.



3. The Retirement Plan for JHMC officers and employees lack the prior approval of the President of the Philippines.

We recommended that the JHMC Retirement Policy No. 012-2004 be set aside and instead apply the amount equivalent to one-half (1/2) month salary for every year of service in accordance with RA 7641, the Retirement Pay Law. Any excess payment of retirement pay shall be disallowed in audit.

#### **Disallowances as of Year-end**

As of December 31, 2013, JHMC has a total suspension of P458,298 and total disallowance of P1,672,475.

#### **Status of Implementation of Prior Years' Audit Recommendations**

Out of the twenty-six (26) audit recommendations contained in the previous years' Annual Audit Reports, three (3) were fully implemented, sixteen (16) were partially implemented and seven (7) were not implemented.

## **TABLE OF CONTENTS**

	<b>Page</b>
<b>PART I - AUDITED FINANCIAL STATEMENTS</b>	
Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Profit or Loss	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7
<b>PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS</b>	 23
<b>PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS</b>	 31

**PART I -  
AUDITED FINANCIAL STATEMENTS**



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

## **INDEPENDENT AUDITOR'S REPORT**

### **THE BOARD OF DIRECTORS**

John Hay Management Corporation  
John Hay Special Economic Zone  
Baguio City

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the John Hay Management Corporation (a wholly-owned subsidiary of the Bases Conversion and Development Authority), which comprise the statement of financial position as at December 31, 2013, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with state accounting principles generally accepted in the Philippines, 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

*Basis for Qualified Opinion*

Property and equipment account is overstated as it includes office building with net book value of P15.349 million belonging to the Bases Conversion and Development Authority (BCDA). Relatedly, depreciation expense of P3.711 million for the year is overstated and the reported net profit of P3.036 million is understated, both by the amount of P0.739 million. On the other hand, property and equipment stated at a net book value of P10.391 million could not be established because the records maintained by the accounting and property offices were not updated and reconciled. We were not able to perform alternative audit procedures because of the inadequacy of accounting records.

*Qualified Opinion*

In our opinion, except for the effects and the possible effects of the matters described in the *Basis for Qualified Opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of John Hay Management Corporation as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with state accounting principles generally accepted in the Philippines.

**Report on the Supplementary Information  
Required Under BIR Revenue Regulation 15-2010**

The Management of John Hay Management Corporation has not presented the supplementary information on taxes, duties and license fees required for purposes of filing with the Bureau of Internal Revenue. Such information is not a required part of the basic financial statements. Our opinion on the basic financial statements is not affected by the non-presentation of the information.

**COMMISSION ON AUDIT**



**LOURDES D. BENITEZ**  
OIC - Supervising Auditor

30 April 2014

**JOHN HAY MANAGEMENT CORPORATION**

(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)

**STATEMENT OF FINANCIAL POSITION****December 31, 2013**

(With comparative figures as of December 31, 2012)

(In Philippine Peso)

	Notes	2013	2012
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	77,151,438	68,728,000
Receivables	4	21,450,468	8,824,610
Inventories	5	7,383,578	7,358,263
Prepayments	6	2,294,069	253,227
Guaranty deposits	7	836,725	594,203
<b>Total Current Assets</b>		<b>109,116,278</b>	<b>85,758,303</b>
<b>Non-Current Assets</b>			
Investments	8	132,000	132,000
Property and equipment	9	35,969,154	47,427,539
Other assets	10	22,064,469	33,651,865
<b>Total Non-Current Assets</b>		<b>58,165,623</b>	<b>81,211,404</b>
<b>TOTAL ASSETS</b>		<b>167,281,901</b>	<b>166,969,707</b>
<b>LIABILITIES, NET OF CAPITAL DEFICIENCY</b>			
<b>Current Liabilities</b>			
Payable accounts	11	21,495,220	19,535,870
Inter-agency payables	12	2,289,857	1,443,985
Intra-agency payables	13	10,825,320	10,338,352
Other liability accounts	14	703,976	823,292
<b>Total Current Liabilities</b>		<b>35,314,373</b>	<b>32,141,499</b>
<b>Long-Term Liabilities</b>	15	<b>0</b>	<b>3,737,356</b>
<b>Deferred Credits</b>	16	<b>1,116,608</b>	<b>1,145,608</b>
<b>Deposit for Future Stock Subscriptions</b>	17	<b>263,814,079</b>	<b>259,127,331</b>
<b>Capital Deficiency</b>		<b>(132,963,159)</b>	<b>(129,182,087)</b>
<b>TOTAL LIABILITIES, NET OF CAPITAL DEFICIENCY</b>		<b>167,281,901</b>	<b>166,969,707</b>

*See accompanying Notes to Financial Statements.*

**JOHN HAY MANAGEMENT CORPORATION**

(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)

**STATEMENT OF PROFIT OR LOSS****For the year ended December 31, 2013**

(With comparative figures for the year ended December 31, 2012)

(In Philippine Peso)

	Notes	2013	2012
<b>REVENUES</b>			
Estate management fee	18	68,788,457	65,183,988
General income	19	9,577,736	5,878,050
Gross Income		78,366,193	71,062,038
<b>OPERATING EXPENSES</b>			
Personal services	20	21,407,317	22,487,493
Maintenance and other operating expenses	21	53,276,890	41,243,053
Financial expenses		3,505	2,818
Total Expenses		74,687,712	63,733,364
<b>OPERATING INCOME</b>		<b>3,678,481</b>	<b>7,328,674</b>
<b>OTHER INCOME (EXPENSES)</b>	22	<b>702,505</b>	<b>(171,145)</b>
<b>NET PROFIT BEFORE INCOME TAX</b>		<b>4,380,986</b>	<b>7,157,529</b>
Income Tax Expense		(1,345,104)	0
<b>NET PROFIT</b>		<b>3,035,882</b>	<b>7,157,529</b>

*See accompanying Notes to Financial Statements.*

**JOHN HAY MANAGEMENT CORPORATION**

(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)

**STATEMENT OF CHANGES IN EQUITY****For the year ended December 31, 2013**

(With comparative figures for the year ended December 31, 2012)

(In Philippine Peso)

	Note	2013	2012
<b>CAPITAL STOCK - P100.00 par value</b>			
Authorized, issued and fully paid - 1,200,000 shares		<b>120,000,000</b>	120,000,000
<b>DEFICIT</b>			
Balance at beginning of year			
As previously reported		<b>(249,182,087)</b>	(281,822,359)
Correction of prior years' errors	23	<b>(6,816,954)</b>	25,482,743
As adjusted		<b>(255,999,041)</b>	(256,339,616)
Net profit		<b>3,035,882</b>	7,157,529
Balance at end of year		<b>(252,963,159)</b>	(249,182,087)
<b>CAPITAL DEFICIENCY</b>		<b>(132,963,159)</b>	(129,182,087)

*See accompanying Notes to Financial Statements.*



**JOHN HAY MANAGEMENT CORPORATION**

(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)

**STATEMENT OF CASH FLOWS**

For the year ended December 31, 2013

(With comparative figures for the year ended December 31, 2012)

(In Philippine Peso)

	Note	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt of estate management fee		68,858,004	84,821,770
Collection of leases/rentals for remittance to BCDA		25,363,798	26,693,247
Collection of income, penalties, charges and others		5,564,315	8,682,234
Receipt of maintenance fee from BCDA		4,000,000	0
Collection of receivables		2,065,367	1,339,469
Interest from bank accounts (net of bank charges)		236,644	196,311
Cancellation of checks		199,917	256,459
Collection of cost of bid documents/bidder's bond/ guaranty deposit and performance/cleanliness bond		49,550	964,893
Collection for provident fund		0	24,862
Payment to suppliers/creditors and employees		(68,061,059)	(51,300,903)
Remittance to BCDA		(25,366,546)	(30,884,997)
Remittance to Pag-IBIG/SSS/PHIC/BIR		(6,183,970)	(5,458,991)
Payment of taxes and duties		(449,799)	(106,619)
Refund of BIR penalties to beneficiaries		(241,747)	(189,984)
Refund of bid bond/bidder's documents/customer deposits		(50,250)	(584,007)
Net cash provided by operating activities		5,984,224	34,453,744
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital outlay/CAPEX projects		(1,950,127)	(2,737,159)
Proceeds from sale of property and equipment		0	1,100
Net cash used in investing activities		(1,950,127)	(2,736,059)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Deposit for future stock subscriptions		3,335,340	3,383,854
Additional funds for CAPEX projects		594,999	3,568,843
Net cash provided by financing activities		3,930,339	6,952,697
<b>EFFECT OF FOREIGN EXCHANGE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		459,002	(369,804)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		8,423,438	38,300,578
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
		68,728,000	30,427,422
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
	3	77,151,438	68,728,000

*See accompanying Notes to Financial Statements.*

## JOHN HAY MANAGEMENT CORPORATION

(A Wholly-Owned subsidiary of the Bases Conversion and Development Authority)

### NOTES TO FINANCIAL STATEMENTS

---

#### 1. CORPORATE INFORMATION

In 1991, the former American military base in Camp John Hay was formally turned over to the Philippine Government. The year after, Republic Act No. 7227 (RA 7227), or the Bases Conversion and Development Authority (BCDA) Act of 1992, was enacted effectively conveying stewardship of Camp John Hay and other military facilities in the Philippines to the BCDA. The BCDA was then given authority to accelerate the sound and balanced conversion into alternative productive uses of former U.S. Bases and their extensions, to raise funds by the sale of portions of Metro Manila camps, and to apply said funds for the development and conversion to productive civilian use of the lands covered under the 1947 Military Bases Agreement between the Philippines and the United States of America.

For this purpose, BCDA was directed to create subsidiary corporations as its implementing arms over said bases. In 1993, Executive Order (EO) No. 103 created the John Hay Development Corporation (JHDC) as the operating and implementing arm of the BCDA to manage the Club John Hay. The same EO mandated that JHDC shall be a body corporate and subsidiary corporation of the BCDA, formed in accordance with Philippine Corporation Law and existing rules and regulations promulgated by the Securities and Exchange Commission pursuant to Section 16 of RA 7227. The JHDC was also subjected to the policies, rules and regulations of the BCDA. JHDC was created with the primary purpose of developing, managing, leasing and operating all establishments and facilities within the camp.

EO No. 103 was later amended by EO No. 31, where the former Wallace Air Station in Poro Point, La Union was encompassed in JHDC's scope of responsibility, and JHDC was renamed the John Hay Poro Point Development Corporation (JPDC).

On July 5, 1994, Proclamation No. 420 created and designated a portion of Camp John Hay, covering an area of about 288.1 hectares, as the John Hay Special Economic Zone (JHSEZ) which provided tax and other government incentives to registered enterprises.

On October 3, 2002, EO No. 132 was issued separating JPDC into two subsidiaries, namely, the John Hay Management Corporation (JHMC), which was designated as the administrator of the 625-hectare Camp John Hay Reservation (CJHR) comprising of the JHSEZ and the John Hay Reservation Area (JHRA), and the Poro Point Management Corporation (PPMC), which was designated to administer and oversee the development of the Poro Point Freeport Zone.

As administrator of the JHSEZ and steward of its forest reservation, JHMC's mandate, mission and vision are herein defined:

- Its **Mandate** is to convert, develop and maintain the facilities and properties within the Camp John Hay for tourism, multiple use forest watershed, commercial, industrial, residential, and human resource development center.

- Its **Mission** is to develop the estate into a premier tourist and investment destination that enforces efficient and effective regulation, ensures sustainable multiple use of the forest watershed and contributes to national economic growth and job generation.
- Its **Vision** is that by 2018, the JHMC shall have transformed Camp John Hay into the primary catalyst for the tourist development within the Cordillera Region and the leader of environment and forest stewardship in the Philippines.

As the responsible steward of more than 50 per cent of the forest cover of the City of Baguio, the JHMC has undergone a major transformation to become a major player in the BCDA Group as it contributes to economic growth through investments and job generation in the Cordillera Administrative Region (CAR).

JHMC has continued to promote the Camp for recreational and eco-cultural tourism and as a preferred M.I.C.E (Meetings, Incentives, Conventions and Exhibitions) destination. There has been a consistent increase in the number of business enterprises in the JHSEZ, resulting in an increase in the jobs and revenue generated. In 2013, the number of locators increased by 7 per cent, while the jobs generated increased by 27 per cent when compared to CY 2012, with about 50 per cent of the jobs being provided by the Business Processing Outsourcing (BPO) facilities.

Among the most visited places in Camp John Hay include the Historical Core, a living museum of the Philippine-American heritage of the City and features the historic 100-year old Bell House and Bell Amphitheater; the picturesque History Trail, a two-kilometer path which cuts through a lush pine forest; the Cemetery of Negativism, which is believed to serve as a burial ground for negative thoughts; and the Ayala Techno-Hub, with its BPO facilities and retail establishments.

---

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation

The accompanying financial statements of JHMC have been prepared on the historical cost basis. The financial statements are presented in Philippine peso, which is the Corporation's functional and reporting currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

### Statement of Compliance

The accompanying financial statements have been prepared in conformity with state accounting principles generally accepted in the Philippines.

### Cash and cash equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement.

The petty cash fund is being maintained under the Imprest System.

Foreign currency deposits are revalued at the exchange rate prescribed by the Bangko Sentral ng Pilipinas (BSP) as of reporting date.

#### Receivables

A new policy on aging the Accounts receivable was approved by the Board of Directors (BOD) in CY 2013, as follows:

<b>AGE OF ACCOUNTS</b>	<b>PERCENTAGE OF ALLOWANCE FOR DOUBTFUL ACCOUNTS</b>
Less than one year	5%
Over one year to three years	10%
Over three to five years	15%
Over five to ten years	20%
Over ten years	100%

#### Inventories

Inventories are stated at cost using the moving-average method.

#### Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 20 years. A residual value equivalent to 10 per cent of the cost of the asset is provided.

Construction in progress is stated at cost. This consists of the actual costs to date of the unfinished project to include labor, materials and other direct costs. Construction in progress is reclassified to the appropriate asset account upon final completion and acceptance and the depreciation thereon commences upon actual use in the operations. Maintenance and repairs are charged to operations.

#### Revenue and expense recognition

The Corporation adopts the accrual method of accounting for revenue and expenses.

Lease revenues derived from contracts entered into by BCDA and JHMC are remitted periodically to BCDA. On the other hand, JHMC, as overseer, charges BCDA estate management fee (subsidy income) equivalent to JHMC's annual budget comprising of operating and capital expenditures. JHMC also earns regulatory fees and other charges; rental income and fees from the Historical Core; and interest income generated from cash in bank and investment activities.

#### CY 2012 Financial Statements Presentation

For a more accurate comparison of the CYs 2013 and 2012 financial statements, appropriate changes/adjustments were made in the presentation of the CY 2012 accounts as shown in the following page.

	2012 Accounts as Presented in		Variance
	2012 AAR	2013 AAR	
Receivables -			
Intra-agency receivables	7,059,003	6,871,215	(187,788)
Due from other funds	0	187,788	187,788
Receivables -			
Due from officers and employees	102,587	0	(102,587)
Other receivables	0	102,587	102,587
Non-Current Assets -			
Accounts receivable (AR) - long term	22,368,609	0	(22,368,609)
Other assets - AR - long term	0	22,368,609	22,368,609
Other Assets -			
Hydro - electric power dam	4,390,000	0	(4,390,000)
Unserviceable machinery & equipment and furniture & equipment	6,893,256	11,283,256	4,390,000
Intra-agency Payables			
Due to BCDA	8,681,293	8,345,764	(335,529)
Due to other funds	1,657,059	1,992,588	335,529
Deposit for future stock subscriptions			
Equity	259,127,331	0	(259,127,331)
Long-Term Liabilities	0	259,127,331	259,127,331

### 3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2013	2012
Cash on hand	190,255	139,226
Cash in bank – local currency, current account	28,446,058	60,694,044
Cash in bank – local currency, time deposits	42,117,833	1,055,836
Cash in bank – foreign currency, savings account	45,220	1,009,461
Cash in bank – foreign currency, time deposits	6,352,072	5,829,433
	<b>77,151,438</b>	<b>68,728,000</b>

*Cash in bank - local currency, current account (LCCA)* consists of the Operating Expense (OPEX) Fund, Generated Fund, Retirement Fund (Peso) and Scout Barrio Fund which earn interest at the respective bank deposit rates. It also includes Adopt-a-Tree Fund and Intercontinental Hotels Group (IHG) collections which are non-interest bearing accounts. The above enumerated accounts are deposited at the Development Bank of the Philippines (DBP).

*Cash in bank - local currency, time deposits (LCTD)* refers to short-term placements for varying periods to a maximum of sixty (60) days depending on the immediate cash requirement of the Corporation, and earn interest at the respective short-term placement rates. This account consists of three accounts deposited at Development Bank of the Philippines (DBP); one account at the Land Bank of the Philippines (LBP); and one account at Philippine Veterans Bank (PVB).

*Cash in bank - foreign currency, savings account (FCSA)* represents dollar collections arising from the BCDA-PEZA Lease Agreement which are directly deposited by PEZA to the JHMC's account at LBP. Monthly collections are regularly remitted to BCDA.

*Cash in bank - foreign currency, time deposits (FCTD)* refers to dollar funds earmarked for the JHMC Retirement Fund and deposited at LBP.

Dollar depository accounts were restated at year-end rate at P44.414:\$1.00 for CY 2013 and P41.192:\$1.00 for CY 2012.

#### 4. RECEIVABLES

This account consists of the following:

	2013	2012
Accounts receivable	579,661	1,603,020
Inter-agency receivables	80,000	60,000
Intra-agency receivables	8,157,536	6,871,215
Due from other funds	184,523	187,788
Other receivables	12,469,686	102,587
Total	21,471,406	8,824,610
Allowance for doubtful accounts	(20,938)	0
	<b>21,450,468</b>	<b>8,824,610</b>

*Accounts receivable* pertains to various accounts including the unsettled car plan from members of the Board of Directors (BOD). The reconciliation of these accounts and validation of the supporting documents of the individual accounts are on-going based on available records.

The Motor Vehicle Lease-Purchase Plan of JHMC provides that an officer who avails of the plan has an option to purchase the vehicle upon separation from the service at a redemption book value, provided monthly amortizations have been paid for at least one year.

*Inter-agency receivables* pertains to the amount due from the Social Security System for maternity benefits of availing employees for the CYs 2013 and 2012.

*Intra-agency receivables* refers to amounts due from BCDA and other members of the BCDA group. Amounts that are due from BCDA consists of unreleased Corporate Operating Budget for prior and current year and payments made by JHMC, on behalf of BCDA, for the maintenance of the BCDA cottages and loghomes, and other advances of similar nature. These are regularly billed to BCDA for reimbursement.

*Due from other funds* consists mainly of the Provident Fund which is subject to adjustment.

*Other receivables* account for CY 2013 consists substantially of disallowances/charges, as follows:

• missing properties that were included in the Lease Agreement between CJHDevCo & BCDA in 1996 (net book value)	2,793,547
• disallowances for employer's share on Employees Provident Fund	1,336,358
• other benefits granted to personnel of JPDC	1,125,751
• other benefits granted to previous employees of JHMC	235,000
• benefits granted to previous BODs	572,000
• benefits of the BODs and OGCC lawyers for CYs 1996 to 2001 with Notices of Final Disallowances	1,395,152
• under collection of redemption book value of car plan on March 1997 from previous directors	186,292
• grant of life and health insurance benefits to JHMC employees for the period 1997 to 2004	4,043,734
	<b>11,687,834</b>

## 5. INVENTORIES

This account consists of the following:

	2013	2012
Construction materials inventory	5,866,050	5,866,050
Office supplies inventory	1,277,854	1,393,263
Other supplies inventory	239,674	98,950
	<b>7,383,578</b>	<b>7,358,263</b>

*Construction materials inventory* pertains to unused steel fences for the perimeter fencing of Camp John Hay. The perimeter fencing project of the Camp was discontinued due to the opposition of affected residents. An inventory count of the remaining steel fences, to include the materials issued for the various projects of the administration, is ongoing.

## 6. PREPAYMENTS

This account consists of the following:

	2013	2012
Prepaid insurance	82,307	112,125
Input tax - services	1,504,757	0
Input tax - goods	629,781	0
Advances to contractors	0	137,902
Other prepayments and deposits	77,224	3,200
	<b>2,294,069</b>	<b>253,227</b>

*Prepaid insurance* consists of the unexpired portions of the premiums paid for the fire and earthquake insurance of the Bell House and JHMC cottages and motor vehicle insurance.

*Input tax - goods and services* accounts pertain to Value-Added Tax (VAT) added by suppliers to the prices of their goods and services.

*Advances to contractors* pertains to mobilization fees for the consultancy project on the segregation of the 13 barangays within the John Hay Reservation Area (JHRA).

*Other prepayments and deposits* pertains to subscription to website for one year.

## 7. GUARANTY DEPOSITS

This account consists of deposits with the following :

	2013	2012
National Labor Relations Commission (NLRC)	802,512	559,990
Feliza Ronquillo	12,216	12,216
Smart Communications	8,260	8,260
DENR-CENRO	7,250	7,250
Philippine Fuji Xerox	5,390	5,390
Benguet Electric Cooperative Inc.	1,097	1,097
	<b>836,725</b>	<b>594,203</b>

Deposits with the NLRC were made pending the resolution of various labor cases filed against the JHMC.

Deposit given to Ms. Feliza Ronquillo covers the two-month advance rental for the lease of her property which is being used by the forest rangers as outpost.

## 8. INVESTMENTS

This account consists of 6,600 common shares at P20 per share of the Pilipino Telephone Company (PILTEL), now PLDT Communications and Energy Ventures, Inc. New stock certificates in the name of JHMC were reissued in August 2011.

## 9. PROPERTY AND EQUIPMENT

This account consists of the following:

	Land Improvements	Office Buildings & Other Structures	Office Equipment, Machinery & Other Equipment	Furniture & Fixtures	Motor Vehicles	Construction in Progress	Low Value Assets	Total
<b>At December 31, 2013</b>								
Cost:								
January 1, 2013	1,343,541	39,184,843	47,501,302	9,002,446	14,308,452	425,443	0	111,766,027
Additions/Adjustments	0	0	2,405,428	509,727	24,558	1,298,542	0	4,238,255
Dropping of BCDA Assets	0	0	(33,063,130)	(4,686,907)	(618,037)	0	0	(38,368,074)
Low Value Assets	0	0	0	0	0	0	461,707	461,707
	1,343,541	39,184,843	16,843,600	4,825,266	13,714,973	1,723,985	461,707	78,097,915



	Land Improvements	Office Buildings & Other Structures	Office Equipment, Machinery & Other Equipment	Furniture & Fixtures	Motor Vehicles	Construction in Progress	Low Value Assets	Total
<b>Accumulated depreciation:</b>								
January 1, 2013	0	(15,649,336)	(31,396,815)	(8,502,075)	(8,790,262)	0	0	(64,338,488)
Provision	0	(1,487,081)	(1,312,016)	(240,274)	(671,815)	0	0	(3,711,186)
Adjustments	0	0	29,803	(29,803)	0	0	0	0
Dropping of BCDA Assets	0	0	20,616,321	4,686,557	618,035	0	0	25,920,913
	0	(17,136,417)	(12,062,707)	(4,085,595)	(8,844,042)	0	0	(42,128,761)
<b>Net carrying amount</b>	<b>1,343,541</b>	<b>22,048,426</b>	<b>4,780,893</b>	<b>739,671</b>	<b>4,870,931</b>	<b>1,723,985</b>	<b>461,707</b>	<b>35,969,154</b>
<b>At December 31, 2012</b>								
Cost	1,343,541	39,184,843	47,501,302	9,002,446	14,308,452	425,443	0	111,766,027
Accumulated depreciation	0	(15,649,336)	(31,396,815)	(8,502,075)	(8,790,262)	0	0	(64,338,488)
<b>Net carrying amount</b>	<b>1,343,541</b>	<b>23,535,507</b>	<b>16,104,487</b>	<b>500,371</b>	<b>5,518,190</b>	<b>425,443</b>	<b>0</b>	<b>47,427,539</b>

*Construction in progress* pertains to the labor and materials used for the extension of the carport and accrual of expenses for the project. This will be reclassified to the appropriate asset account upon proper documentation. This account also includes materials, labor and overhead expenses incurred for the on-going CAPEX projects such as construction and improvement of pathways, installation of canopy framing leading to cottages, improvement of outdoor dining areas, and upgrade of Bell House and its library archive.

BCDA assets leased-out to Camp John Hay Development Corporation (CJHDevCo) previously recorded in the JHMC books in the amount of P38,368,074 with accumulated depreciation of P25,920,913 were subsequently dropped from the books.

## 10. OTHER ASSETS

This account consists of the following:

	2013	2012
Accounts receivable	15,758,390	16,382,642
Allowance for doubtful accounts	(4,977,177)	(2,024,738)
	10,781,213	14,357,904
Receivables/disallowances/charges	0	8,010,705
	10,781,213	22,368,609
Unserviceable machinery and equipment, and furniture and equipment	11,283,256	11,283,256
	22,064,469	33,651,865

*Accounts receivable* account for CY 2013 consists of uncollected accounts for the calendar years 1996-2012, as follows:

• receivables from the CJHDevCo representing the net gain derived from the demolition of cottages and structures which are part of the leased area, per Agreement dated March 25, 1998	5,912,516
• receivables from various establishments, outstanding since 1996, subject of litigations, and provided with 100% allowance for uncollectibility	2,024,738
• unwithheld taxes on retirement benefits given to 12 retired employees in 2003 to 2005 and subject of request for write-off with the Commission on Audit (see Note 16)	1,062,608
• other receivables consisting of uncollected charges for use of government facilities by concessionaires, travel agencies, government entities and other corporations during resort operations	6,758,528
	15,758,390

The validation and documentation of the various accounts receivable are on-going and a team was formed to assist the Finance Department in the establishment of the claim. About P6.7 million of the total accounts receivable have been validated with supporting documents.

The corresponding demand letters and/or notice of collection on the established receivables will be forwarded to the last known addresses of the concerned individuals through the Finance Department.

*Receivables/disallowances/charges* account was reclassified under *other receivables* (see Note 4).

*Unserviceable machinery and equipment and furniture and equipment* account includes the hydro-electric power dam recorded at appraised value of P4,390,000 based on the appraisal conducted by E-value Appraisal in June 2004. This has been unserviceable since the BCDA took over the management of Camp John Hay in 1993. Disposal process is underway.

## 11. PAYABLE ACCOUNTS

This account consists of the following:

	2013	2012
Accounts payable	13,072,557	9,618,908
Accrued expenses	7,180,408	8,271,132
Due to officers and employees	254,365	657,940
Miscellaneous	987,890	987,890
	21,495,220	19,535,870

*Accounts payable* account for CY 2013 is composed of the following:

• unreleased checks	5,457,435
• electricity, water, garbage and telephone charges payable to CJHDevCo which accumulated from the year 2000 until 2007	4,142,151
• payables to PBAIberto Surveying for the survey of unleased areas of Camp John Hay	120,000
• Others	3,352,971
	<b>13,072,557</b>

The Records Management Section is conducting inventory of all documents found in the Bell House storage basement and the data gathered on accounts payable would be one of the bases in validating the accounts. Accounts found not valid will be closed to retained earnings except for CJHDevCo's accounts which are subject of on-going litigation.

*Accrued expenses* pertains to unpaid security services, telephone charges, subscriptions, electricity, travelling costs, supplies and gasoline expenses. It also includes the separation pay (excluding last pay and terminal leave benefits) of employees who have availed of the Separation Incentive Package (SIP) offered in 2008, which remain unpaid due to non-submission of clearances.

*Miscellaneous* account pertains to various claims of suppliers and separated employees from 2001 to present.

## 12. INTER-AGENCY PAYABLES

This account consists of the following:

	2013	2012
Due to BIR	2,038,170	1,238,825
Due to Pag-IBIG, PhilHealth and SSS	251,687	205,160
	<b>2,289,857</b>	<b>1,443,985</b>

## 13. INTRA-AGENCY PAYABLES

This account consists of the following:

	2013	2012
Due to BCDA	8,893,357	8,345,764
Due to other funds	1,931,963	1,992,588
	<b>10,825,320</b>	<b>10,338,352</b>

*Due to BCDA* consists mainly of rental fees collected from IHG, Treetop Adventure and PEZA. Also included in this account are Scout Barrio Housing Project collections received in behalf of BCDA for the fourth quarter of 2013. These collections are regularly remitted to BCDA at the end of each quarter in accordance with prescribed schedule of remittance. It also includes lease rentals from Asian Institute of Management for 1997 which is still due for reconciliation with BCDA.

Breakdown of the *Due to other funds* is as follows:

	2013	2012
Provident fund	702,557	702,557
Disallowances/charges	556,743	442,743
Adopt a Tree	390,819	390,819
Transfer of funds (Generated & OPEX Funds)	125,940	125,940
Proceeds from sale of disposed assets booked by BCDA	111,237	0
Scout Barrio Fund	49,667	0
Bid fees	(5,000)	(5,000)
Others	0	335,529
	<b>1,931,963</b>	<b>1,992,588</b>

Adopt a Tree represents collections from sponsors who have committed to provide funds for the preservation of particular adopted century trees in the reservation.

Scout Barrio Fund represents collections made by JHMC, in behalf of BCDA, for the payment of the Scout Barrio lots from bonafide lot awardees. The BIR penalties paid by the beneficiaries, which are subject to refund, are also included in this account.

#### 14. OTHER LIABILITY ACCOUNTS

This account consists of the following:

	2013	2012
Performance bond payable	319,344	279,294
Guaranty deposits payable	245,262	404,628
Other payables	139,370	139,370
	<b>703,976</b>	<b>823,292</b>

*Performance bond payable* consists of the performance bonds paid by locators SC Reservations/IHG, McKleene, Le Monet, Benguet State University and Hexacom.

*Guaranty deposits payable* consists substantially of the security deposit paid by the Asian Institute of Management in 2007 amounting to P200,000. The decrease in this account was due to the release of the 10 per cent retention fee on the upgrade of the Bell House.

#### 15. LONG-TERM LIABILITIES

This account consists of the following:

	2013	2012
Retention fee	0	42,077
Unamortized portion of car plan – 2006	0	313,685
Unamortized portion of car plan – 2007	0	3,381,594
	<b>0</b>	<b>3,737,356</b>

Long-term liabilities which cannot be substantiated were closed to Retained Earnings.

---

**16. DEFERRED CREDITS**

This account consists of the following:

	2013	2012
Deferred income tax	1,062,608	1,062,608
Bell Amphitheatre rental advances	54,000	83,000
	1,116,608	1,145,608

*Deferred income tax* pertains to the estimated tax liabilities arising from the release of retirement benefits of retired employees from CYs 2003 to 2005.

---

**17. DEPOSIT FOR FUTURE STOCK SUBSCRIPTIONS**

This account represents the BCDA Equity in excess of the authorized capital stock of JHMC. On December 9, 2004, BCDA approved the increase in the authorized capital stock from P120 million to P800 million.

JHMC has an extended Memorandum of Agreement with the Office of the Government Corporate Counsel (OGCC) which includes the update of the JHMC Stock and Transfer Book (STB). The update of the STB is a requirement for the amendment of the Articles of Incorporation to increase the JHMC's authorized capital stock. The STB was turned over to OGCC in 2011.

Additional deposits were made in CYs 2013 and 2012 of P4,676,748 and P5,061,964, respectively.

---

**18. ESTATE MANAGEMENT FEE**

JHMC, as the implementing and regulating arm of JHSEZ, charges BCDA estate management fees to finance its operations in accordance with the approved corporate budget.

---

**19. GENERAL INCOME**

This account consists of the following:

	2013	2012
Permits and licenses	1,579,401	1,299,400
Rent income	885,293	654,846
Other business and service income	6,959,686	2,681,650
Miscellaneous income	153,356	1,242,154
	9,577,736	5,878,050

*Permits and licenses* pertains to collections from the regulatory functions of JHMC within the Special Economic Zone.

*Rent income* pertains to rental fees for the Bell Amphitheater, Bell House and its interiors, kiosk, amenities and ad space for tarpaulins.

*Other business and service income* pertains to receipts from the Historical Core for events, sponsorships and entrance fees. Also included are charges for overtime work rendered at JHSEZ, fines and penalties, CUSA fees from locators, labor center ID for employees within JHSEZ and receipts from purchase coupons.

*Miscellaneous income* pertains to collections not identified as income from the economic zone.

---

## 20. PERSONAL SERVICES

This account consists of the following:

	2013	2012
Salaries and wages	11,541,100	12,183,527
Other personnel benefits	2,900,900	2,732,118
Representation allowance	1,148,000	1,205,600
Transportation allowance	1,009,312	1,020,108
Year-end bonus	954,843	1,062,080
Overtime and night pay	936,877	870,194
Terminal leave benefits	769,555	811,387
Life and retirement insurance contributions	545,892	620,619
Personnel economic relief allowance	544,163	554,867
Cash gift	227,000	240,625
Other bonuses and allowances	225,000	564,706
Productivity enhancement incentive	224,000	227,500
Clothing/uniform allowance	180,000	188,000
PhilHealth contributions	132,938	133,862
Pag-IBIG contributions	54,975	57,150
ECC contributions	12,762	15,150
	<b>21,407,317</b>	<b>22,487,493</b>

---

## 21. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2013	2012
Security services	22,391,836	15,212,231
Board members' benefits	4,446,771	3,117,856
Depreciation	3,711,186	3,249,261
Consultancy services	2,587,761	1,829,181
Office supplies	2,362,457	1,834,655
Environment / sanitary services	1,822,261	1,039,541
Other professional services	1,544,648	891,641
Marketing and advertising	1,535,249	1,152,927

	2013	2012
Representation	1,497,833	1,767,033
Repairs and maintenance	1,451,810	1,499,389
Traveling expense – local	1,421,988	1,005,490
General services	1,281,569	1,140,532
Gasoline, oil, lubricants and other fuel	1,035,429	1,069,087
Auditing services	746,955	583,768
Telephone	724,335	829,205
Janitorial services	637,081	579,646
Training	598,495	1,172,888
Other supplies	575,843	497,394
Legal services	494,868	882,704
Taxes, duties and licenses	425,003	106,619
Water	319,073	252,189
Printing, binding and reproduction	286,590	267,939
Insurance	159,793	200,530
Electricity	134,165	133,981
Traveling expense – foreign	0	255,366
Other maintenance and operating expenses	1,083,891	672,000
	<b>53,276,890</b>	<b>41,243,053</b>

*Board members' benefits* account is broken down as follows:

	2013	2012
Per diem	1,834,000	1,987,233
Travel allowance	804,373	0
Representation allowance	713,720	577,363
Performance based bonus	566,000	0
Transportation allowance	390,006	438,677
Communication expense	138,672	114,583
	<b>4,446,771</b>	<b>3,117,856</b>

The Board of Director's benefits are in consonance with Executive Order (EO) 24 issued on February 10, 2011 by the Office of the President of the Philippines.

## **22. OTHER INCOME(EXPENSES)**

This account is broken down as follows:

	2013	2012
Interest income	243,494	212,802
Gain (loss) on foreign exchange	459,011	(383,947)
	<b>702,505</b>	<b>(171,145)</b>

### 23. CORRECTION OF PRIOR YEARS' ERRORS

This account is broken down as follows:

	2013	2012
Disallowances/charges	4,230,025	1,395,152
Accounts payable dropped from the books	3,737,356	0
PE dropped from the books	(12,447,161)	0
Additional allowance for doubtful accounts	(2,952,440)	0
Subsidy income	0	21,031,550
Miscellaneous adjustments	615,266	3,056,041
	<b>(6,816,954)</b>	<b>25,482,743</b>

### 24. STATUS OF PENDING LITIGATIONS

Among the numerous cases filed by and against JHMC/BCDA are the following:

CASE	STATUS
1. BCDA vs. Freddie Aglasi and ten other consolidated cases (Civil Case Nos. 5437-R to 5446-R) pending before RTC Branch 5, for: recovery of possession	BCDA, through OGCC, submitted memorandum for resolution by the trial court.
2. Teodoro Regino vs. JHMC, et al. (Civil Case No. 08-0089-D) pending before RTC Branch 41, for specific performance and damages	Mr. Regino paid his obligation on December 12, 2013 to JHMC based on the signed compromise agreement. Motion for Reconsideration was filed by Mr. Regino. Parties are awaiting Court Resolution.
3. Ruel C. de Leon vs. JHMC, et al. (NLRC RAB-CAR-11-0405-11) pending before the NLRC-RAB-CAR LA Tabingan, for illegal dismissal, et al.	Mr. de Leon was ordered to file his comment to the letter of COA-CAR dated January 11, 2013 within ten calendar days from receipt of the order but failed. JHMC received a Writ of Execution dated April 11, 2013 which was transmitted to OGCC. (Delegated by OGCC to JHMC LSD)
4. Garas vs. JHMC (NLRC RAB-CAR-04-0137-13) filed before NLRC-RAB-CAR-LA Tabingan; for illegal dismissal, et al.	HMC filed its Reply to the Complainant's Position Paper on June 24, 2013. On August 2, 2013, JHMC received Complainant's comment for resolution.
5. Aquilet vs. JHMC (NLRC RAB-CAR 04-0138-13), LA Tabingan; for illegal dismissal, et al.	On June 24, 2013, JHMC filed its Reply to the Complainant's Position Paper. On June 26, 2013, JHMC received the Supplemental Position Paper of Complainant. On August 2, 2013, JHMC received Complainant's



CASE	STATUS
	Comment to the Position Paper. JHMC is awaiting the Court's Resolution.
6. JHSI vs. JHMC, et al. (Civil Case No. 7618-R) pending before RTC Branch 6, for injunction, et al.	Preliminary conference was set on May 20, 2014. There was no appearance of JHSI's new counsel, thus, OGCC filed its motion for postponement of preliminary conference. JHMC is awaiting Court order and notice.
7. Ancestral Claim of Apeng Carantes (Petition No. BC-050-LJ) pending before NCIP-Central Office	BCDA and JHMC filed oppositions. (Handled by BCDA and JHMC)

ANTI-SQUATTING & ILLEGAL STRUCTURES (Handled by JHMC LSD)

CASE	STATUS
8. JHMC vs. Ernesto Banes (Demolition Complaint No. 977-05-2012)	Endorsed to the Office of the Anti-Squatting and Illegal Structures Committee for appropriate action.
9. JHMC vs. Joselito Dizon (Demolition Complaint No. 978-05-2012)	On status quo until the conflicting claims (Boundary Dispute) shall have been resolved.
10. JHMC vs. Imelda Canuto-Ramos (Demolition Complaint No. 1029-07-2012)	Case submitted for resolution. No resolution as of December 31, 2013.
11. JHMC vs. Teddy Carreon (Demolition Complaint No. 1074-09-2012);  (and Demolition Complaint against Abner Bacod)	Case submitted for resolution. No resolution as of December 31, 2013.  In the hearing on October 17, 2013, the Committee required both parties to submit their respective position paper within 15 days. JHMC submitted its position paper on November 19, 2013.
12. Demolition Complaint against Mr. Balasiw	JHMC filed a complaint to the Anti-Squatting Committee on March 15, 2013.

**PART II -  
AUDIT OBSERVATIONS AND  
RECOMMENDATIONS**

## AUDIT OBSERVATIONS AND RECOMMENDATIONS

---

### 1. Notable accomplishments

For the year 2013, the JHMC carried out plans and programs through the implementation of notable activities aligned with its mission, vision and core values as follows:

A. JHMC highlights for the year 2013 disclosed remarkable accomplishments toward attaining its mission to ensure sustainable multiple use of the forest watershed and its vision to gradually transform Camp John Hay to be the leader of environment and forest stewardship in the Philippines. Among its accomplishments are the following:

a. Water Sources Development Project in the John Hay Reservation Area (JHRA).

JHMC contracted the services of a consultant for the conduct of a feasibility study for the development of water resources due for completion by the 2<sup>nd</sup> quarter of 2014. The project will pave the way to:

- Enable JHMC to develop its watershed resources into a sustainable water venture while addressing the needs of communities in the JHRA and the business establishments in the John Hay Special Economic Zone (JHSEZ) and the Baguio City Economic Zone. The project also aims to prevent the illegal extraction of water.
- Enhance further the sustainability of the forest and watershed in the JHRA by preventing the entry of informal settlers and water resource pollution. This will also make possible the development of the forested areas and watershed reserves into eco-parks, camping sites and other family-oriented facilities.

b. Forest Research on Pest Infestation and/or Disease

The consultancy services of the team of forest pathologists from the Benguet State University was engaged in 2013 to evaluate, among others, the *Ips calligraphus*, a bark beetle infesting and damaging pine trees in Camp John Hay, make recommendations for its prevention and control and assist the JHMC in formulating a sustainable forest management program.

c. Barangay-based Firelines

The barangay-based fireline establishment and maintenance, which aims to prevent and control the spread of forest fires should they occur, was accomplished in five barangays with a total area of 48,228 square meters in the JHRA, in addition to the 34,320 square meters covered in 2012.

d. National Greening Program

In compliance with Executive Order No. 21, otherwise known as the National Greening Program of the government, JHMC conducted the planting of suitable trees (such as Benguet pine and coffee) within inadequately-stocked areas of Camp John Hay throughout the year with the participation of students, barangay representatives

and environment-oriented organizations resulting in the birth of about 7,665 trees, in addition to the 7,450 trees planted in 2012.

e. Regulatory Services/Forest Patrol

In partnership with the DENR, JHMC further intensified its forest protection efforts through strict enforcement of forestry laws, rules and regulations with the apprehension of parties involved in illegal tree cutting, occupancy, excavation and small scale mining activities.

f. "Adopt an Estero/Waterbody Program" of the DENR-EMB, CAR

In support of the program, JHMC conducted and sponsored a clean-up drive of canals, esteros and waterways within and outside the JHRA, particularly areas identified to the tributaries of the Bued River. Roughly 200 cubic meters of solid wastes were extracted from such activity participated by 200 individuals from different barangays and partner groups.

g. Environment Management Program

JHMC conducted monitoring activities to ensure compliance of locators and other enterprises within the JHSEZ with all pertinent environmental, solid waste management and forestry standards, laws, rules and regulations. Likewise, JHMC completed the disposal of hazardous (asbestos-containing) waste materials in Area 1 of JHRA and completed issuance of Certificates of Environmental Compliance (CEC) after thorough evaluation of each application. Most importantly, JHMC consistently surpassed the National Ambient Air Quality Standards within the JHSEZ.

- B. In line with its core values on stewardship, integrity, commitment and excellence, JHMC, adopted the "*Integrity Initiative*" jointly with JHSEZ locators and signed the "*Integrity Pledge*" in August 2012. The *Integrity Initiative* is a joint public-private sector campaign towards the re-establishment of integrity standards in doing business in the Philippines. The *Integrity Pledge* is a commitment to ethical business practices and good corporate governance and includes the adoption of the *Unified Code of Conduct for Business* as a requirement for all locators and suppliers in the JHSEZ prior to the issuance of permits to operate.

In March 2013, JHMC re-affirmed its commitment to good governance practices in doing business in the JHSEZ by signing the *Integrity Pledge* with the other members of the BCDA group during its Presidents' Caucus held in Makati City.

While we commend JHMC on the foregoing accomplishments, we advised Management to: (1) monitor the projects in its initial stages until its completion to fully attain the objectives thereof; and (2) continue implementing plans and programs aligned with JHMC's mission, vision and core values.

---

**2. Erroneous inclusion in the property and equipment account of the building owned by BCDA with a net book value of P15.439 million**

Property and equipment (PE) account is overstated as it includes office building with net book value of P15.349 million belonging to the BCDA. As such, depreciation expense of P3.711 million for the year is overstated and the reported net profit of P3.036 million is understated, both by the amount of P0.739 million.

PE as presented in the financial statements is interpreted by readers as owned or controlled by the Corporation and that the Corporation possesses the rights associated with these assets such that cash flows or economic benefits derived from the utilization of these assets accrue to the Corporation. Thus, it is inaccurate to include in the PE account any property that does not belong to the Corporation.

Office building with a total cost of P22.168 million and total accumulated depreciation of P6.819 million as of December 31, 2013 is recorded in the books of JHMC when this asset is owned and controlled by BCDA and is being leased to Intercontinental Hotels Group (IHG) Corporation. The tripartite agreement was by and between IHG, JHMC and BCDA. JHMC collects the lease payments and remits it to BCDA on a monthly basis. Since the economic benefits associated with the building accrues to BCDA, the cost, the accumulated depreciation as well as the depreciation expense for CY 2013 of the said building should be recognized in the books of BCDA.

We recommended that Management coordinate with BCDA and adjust its books to take up the reversion of the office building amounting to P22.168 million to BCDA.

According to Management, the amendment of the Performance Agreement between JHMC and BCDA is being initially implemented in 2014. Proper identification of cost centers is being undertaken for the matching of income and expenses which will include the reclassification of assets such as the office buildings.

JHMC will also coordinate with BCDA to ensure the accuracy of the booking under the Office building account.

---

**3. Non-update and non-reconciliation of property and equipment ledger cards with property records**

The accuracy of Property and equipment (PE) at net book value of P10.391 million could not be ascertained due to failure to update PE ledger cards and reconcile the same with property cards.

Section 102 of PD 1445 provides that the head of any agency of the government is immediately and primarily responsible for all government funds and property pertaining to his agency. Persons entrusted with the possession or custody of the funds or property under the agency head shall be immediately responsible to him without prejudice to the liability of either party to the government.

To operationalize the aforementioned provision of law, COA Circular No. 80-124, dated January 18, 1980, was issued, governing that physical inventory-taking, being an

indispensable procedure for checking the integrity of property custodianship, has to be regularly enforced.

The Circular also prescribes that physical inventory of fixed assets shall be made at least once a year and all inventory reports shall be prepared on the prescribed form (Gen. Form No. 41-A) to be properly reconciled with accounting and inventory records.

The foregoing regulations were not properly observed at JHMC. The Finance Department (FD) maintains PE ledger cards and the General Services Division (GSD) maintains property card for each item of property, but both offices failed to update and reconcile their records.

According to Management, the GSD's property cards were based on the actual physical inventory conducted in 2011 and prior inventory. However, this was not accepted by the Commission on Audit (COA) and the Bases Conversion and Development Authority (BCDA) because it lacked the records from which it was based, thus, rendering the inventory report unreliable. No inventory of PE was conducted in 2013.

As a result of said lapses, the accuracy of Office equipment, machinery and other equipment; Furniture and fixtures; and Motor vehicles with net book value of P10.391 million as of December 31, 2013 could not be ascertained. This is a recurring audit observation and remains unresolved.

We recommended that Management institute policies/guidelines in safeguarding PE including the regular reconciliation of the PE account between the FD and GSD.

In the exit conference conducted on April 29, 2014, JHMC Management stated that as of December 31, 2013, the GSD has been maintaining property cards for each class of PE to record the description, acquisition, transfer/disposal and other information about the asset. Efforts to establish/set-up concise and accurate records for each property card are being done. Property and ledger cards will be reconciled after which an inventory will be conducted.

Also, the Internal Guidelines for Booking of PE was already completed in CY 2014. This is being reconciled with the Financial Policy of BCDA to ensure consistency of data treatment. This will be submitted subsequently for review by Management and once approved, this will be furnished to the COA audit team.

---

#### **4. Undisposed unserviceable property and equipment**

Unserviceable property and equipment totaling P11.283 million remain undisposed as of December 31, 2013, occupying space which could have been used by JHMC for other useful purposes and the proceeds from sale of which could have augmented Management resources that could have been available for worthwhile undertakings.

Among the unserviceable items are machinery and equipment amounting to P6.893 million and the hydro-electric dam amounting to P4.390 million.

The hydro-electric power dam is recorded at appraised value based on the appraisal conducted by E-value Appraisal in June 2001 and has been unserviceable since the BCDA took over the management of Camp John Hay in 1993.

We recommended that Management conduct the disposal of the unserviceable property and equipment, in accordance with Section 79 of the Government Auditing Code of the Philippines (P.D. 1445) which provides that when government property has become unserviceable, it may be destroyed, or if found to be valuable, it may be sold at public auction to the highest bidder.

Management commented that the unserviceable property and other assets are being appraised by the in-house engineers of JHMC to determine their salvage value. The report will then be submitted to the COA for validation by its Technical Team and JHMC will await approval for the disposition of said properties in accordance with the government disposal process.

---

#### **5. Collection inefficiency and incomplete documentation of accounts receivable**

Collection inefficiency and incomplete documentation resulted in accumulation of long-term accounts receivable (net) to P10.781 million.

Section 111(1) of PD 1445 provides that "the accounts of the agency shall be kept in such details as necessary to meet the needs of the agency and at the same time be adequate to furnish information needed by fiscal and control agencies of the government."

Review of long-term accounts receivable disclosed that transactions covering the years 1996 to 2011 with a net realizable value of P10.781 million remained uncollectible due to non-availability of records/documents to support some accounts being claimed and as such management could not intensify its collection efforts.

We recommended that Management:

- a) Establish claims on long term accounts receivable by working back and, if necessary, reconstruct supporting documents of valid claims like bills and statement of accounts;
- b) Provide allowance for doubtful accounts and request for write-off of uncollectible accounts with the COA; and
- c) Enforce the collection of valid accounts. Send demand letters or withhold payment of money claims due to affected employees and others.

Management replied that they are currently undertaking the reconstruction of accounting records relative to the said accounts and requested for extended time to fully evaluate the voluminous archived documents which will establish the validity and support the claims on the said long outstanding accounts receivable. As of May 2, 2014, about P7 million or 65 per cent of the total Accounts Receivable have been supported with documents.

Further, the Corporation will be preparing collection letters and will be forwarding the same to the last known addresses of the concerned individuals and entities through their Legal Department.

The collection process is continually being reviewed to avoid the recurrence of the situation. The policy in the setting up of allowance for doubtful accounts and the request to COA for the write-off of uncollectible accounts have been approved by the JHMC Board.

---

**6. Retirement Plan for JHMC officers and employees without the prior approval of the President of the Philippines.**

JHMC Policy No. 012-2004 on the Retirement for Officers and Employees provides a Compulsory Retirement Program entitling qualified employees to 200 per cent of his/her salary for every year of service while the Early Retirement Program shall be equivalent to 50 per cent of the monthly salary for every year of service for the first 5 years with an additional 10 per cent of the monthly salary for each succeeding year but not to exceed 150 per cent.

The said retirement plan appears consistent with Republic Act (RA) No. 7641 issued on October 24, 1996 which amended Article 287 of Presidential Decree No. 442, otherwise known as the Labor Code of the Philippines.

However, in providing a retirement program higher than the minimum provided by RA No. 7641, JHMC should have sought the approval of the President of the Philippines. Officials and employees of agencies exempt from the Salary Standardization Law (SSL) may be paid allowances and benefits subject to the prior approval by the Office of the President as required under the following:

- a) **Presidential Decree (PD) No. 1597** - entitled "Further Rationalizing the System of Compensation and Position Classification in the National Government"
- b) **Memorandum Order No. 20, series of 2001** - entitled "Directing Heads of GOCCs, GFIs and Subsidiaries Exempted from or not following the Salary Standardization Law (SSL) to Implement Pay Rationalization in All Senior Officer Positions"
- c) **Section 3 of Administrative Order No. 103, series of 2004** - suspended the grant of new or additional benefits to full-time officials and employees in all NGAs, SUCs, GOCCs, GFIs and OGCEs, whether or not exempt from the Salary Standardization Law (SSL), except for CNA incentives and those expressly provided by presidential issuances;
- d) **Executive Order (EO) No. 7, series of 2010** - ordered a moratorium on the grant of salary increases, incentives, allowances and benefits unless specifically authorized by the President; and
- e) **Section 9 of EO No. 7, series of 2010 and the CPCS provision under Section 8 of RA No. 10149**, otherwise known as the GOCC Governance Act of 2011 - provided that the lawful adoption by any GOCC of a compensation and benefit package shall always be subject to the approval of the President of the Philippines.



Further, under EO No. 62, series of 1993, Prescribing Policies and Guidelines to Implement RA No. 7227, otherwise known as the BCDA Act of 1992, the subsidiaries (of BCDA) and attached authorities shall be governed by their respective policy making Board of Directors which shall perform (its function) subject to existing laws and regulations. The EO itself clearly provided that the duty of the Governing Board of BCDA Subsidiaries to adopt a pay plan and position classification system is subject to existing laws and regulations.

Therefore, in the absence of prior approval from the Office of the President, we recommended that JHMC Retirement Policy No. 012-2004 be set aside and instead apply the amount equivalent to one-half (1/2) month salary for every year of service in accordance with RA 7641, the Retirement Pay Law. Any excess payment of retirement pay shall be disallowed in audit.

According to Management, implementation of the retirement benefits as stated in the JHMC Retirement Policy has been deferred. In the interim, the rate provided by the Labor Code is being applied until the GCG guidelines on retirement pay have been approved by the Office of the President.

The Retirement Trust Fund belongs to the government and as such any interests/dividends generated from its investment shall accrue to JHMC and not to the employees.

---

## **7. Implementation of Gender and Development (GAD) Program**

The implementation of GAD Program of JHMC for calendar year 2013 was geared towards its clients and failed to integrate organization focused activities, thus affecting the efficiency and effectiveness of involvement in addressing gender related issues within the Corporation.

The GAD program is in pursuance to EO No. 273 or the "Approving and Adopting the Philippine Plan for Gender-Responsive Development (PPGD), 1995-2025), mandating agencies to incorporate and reflect GAD concerns in their agency performance, commitment contracts, annual budget proposals, and work and financial plans.

Also, the Magna Carta for Women (MCW) and the General Appropriations Act (GAA) tasked the government instrumentalities to formulate their annual GAD Plans and Budgets (GPBs) within the context of their mandates to mainstream gender perspectives in their policies, programs and projects. Moreover, GAD Planning shall be integrated in the regular activities of the agencies.

JHMC, being supportive in promoting good governance as one of the programs of the President of the Philippines, has implemented the GAD program by conducting research on eleven barangays along the Camp John Hay Reservation Area, specifically on Gender Disaggregated Data in February to November 2013, to create a baseline for its GAD plans and programs.

Though JHMC Management has endeavored to contribute in promoting the significant role of women to develop their economic empowerment, the Corporation concentrated

on the agency clients and did not include GAD-focused activities for the organization or those addressing identified gender issues of the agency and its personnel.

We recommended that Management include GAD - focused activities for the organization or those addressing identified gender issues of the Corporation and its personnel.

Management commented that the completion of the output and the data analysis from the Gender Disaggregated Data (GDD) was extended for three months due to the difficult process of data collection and interpretation. The data analysis supports the succeeding stages of the program. The aim of the GDD is to identify the gender gaps and needs of the communities and stakeholders that JHMC serves. The JHMC shall formulate its policies in 2014 vis-à-vis community intervention and its social responsibility to the communities that the Corporation serves.

---

#### STATUS OF NOTICE OF SUSPENSIONS, DISALLOWANCES AND CHARGES

As of year-end, the status of audit suspensions, disallowances and charges issued is as follows:

<b>Audit Action</b>	<b>Beginning Balance January 1, 2013</b>	<b>Issued</b>	<b>Settled</b>	<b>Ending Balance December 31, 2013</b>
Suspension	0	458,298	0	P 458,298
Disallowance	0	1,672,475	0	1,672,475
Charges	0	0	0	0
<b>Total</b>	<b>0</b>	<b>2,130,773</b>	<b>0</b>	<b>P 2,130,773</b>

Management worked to enforce the settlement of COA disallowances but encountered difficulty in locating the accountable officers who have been separated from JHMC for a considerable period of time.

ND/NC/NS issued prior to the effectivity of the COA Rules and Regulations on the Settlement of Accounts (RRSA-COA Circular No. 2009-006) totaling P12,260,731 are not included in the reflected balance but are deemed disallowances/charges which shall continue to be enforced.

<b>Report and Analysis of Disallowances and Charges</b>	<b>Amount Disallowed</b>
Notice of Disallowances (ND) not appealed	P 572,897
NDs with Notice of Finality of Decision	2,793,547
NDs with Notice of Finality of Decision and COA Order of Execution	8,894,287
<b>Total</b>	<b>P 12,260,731</b>

**PART III -  
STATUS OF IMPLEMENTATION OF  
PRIOR YEARS' AUDIT RECOMMENDATIONS**

## STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the twenty-six (26) audit recommendations contained in the previous years' Annual Audit Reports, three (3) were fully implemented, sixteen (16) were partially implemented and seven (7) were not implemented.

Reference	Observation	Recommendations	Status of Implementation
<p>AAR 2012, Obs. No. 1, page 21</p> <p>and</p> <p>AAR 2012 Status of Implementation of PY Audit Recommendations No. 1, page 26 and No. 4, page 27</p>	<p>1. Non-completion of the inventory report on PE; non-maintenance of ledger cards and property cards; and inappropriate recording of leased-out property of BCDA</p>	<p>Institute policy and guidelines in safeguarding PE, including the following:</p> <p>a. Conduct of physical inventory and the completion and submission of the corresponding inventory report;</p> <p>b. Maintenance of PE ledger cards by the FD and property cards by the GSD; and</p> <p>c. Regular reconciliation of the PE account by the FD and GSD.</p> <p>d. Drop the leased property of P38.368 million from the PE account and instead disclose it in the notes to financial statements.</p>	<p>Partially Implemented An inventory will be conducted after the reconciliation of property and ledger cards.</p> <p>Fully Implemented</p> <p>Partially Implemented Reconciliation of properties is on-going except the properties which are CJDevco accountabilities. Reiterated in CY 2013 AAR, Part II Obs. No. 2.</p> <p>Fully implemented</p>
<p>AAR 2012, Obs. No. 2, page 23</p> <p>and</p> <p>AAR 2012 Status of Implementation of PY Audit Recommendations No. 2, page 26</p>	<p>2. Inadequate allowance for doubtful accounts; collection inefficiency; and erroneous documentation of accounts receivable</p>	<p>a. Establish and implement a policy on accounts receivable: its recognition based on complete documentation; enforcement of collection; and the setting-up of allowance for doubtful accounts in</p>	<p>Partially Implemented A policy on "writing off" of bad debts and setting of allowances/time lines to settle bad debts has been approved by the JHMC Board and implemented in 2013, however, enforcement of collection and complete documentation of receivable accounts were</p>

Reference	Observation	Recommendations	Status of Implementation
		<p>accordance with the afore-cited rules and regulations;</p> <p>b. Adjust or correct erroneous or negative entries.</p>	<p>not yet implemented. Reiterated in the CY 2013 AAR, Part II Obs. No. 5.</p> <p>Not Implemented Validation is on-going; to be fast-tracked in CY 2014.</p>
<p>AAR 2012, Obs. No. 3, page 24</p> <p>and</p> <p>AAR 2012 Status of Implementation of PY Audit Recommendations No. 5, page 28</p>	<p>3. Long-outstanding and unsubstantiated payable accounts and long-term liabilities</p>	<p>a. Revert to retained earnings payable accounts and long-term liabilities that have been outstanding for two years or more and found to be invalid;</p> <p>b. Adjust negative balances; and</p> <p>c. Stop the practice of setting up accounts without valid supporting documents.</p>	<p>Partially Implemented. Long term liabilities that cannot be substantiated were reverted to retained earnings. Other long-outstanding payable accounts are further reviewed for possible reversion to retained earnings.</p> <p>Not Implemented</p> <p>Not Implemented Accounts Payable subsidiary ledgers showed negative balances including new accounts incurred in CY 2013.</p>
<p>AAR 2012, Obs. No. 4, page 25</p>	<p>4. Underutilized GAD Budget of P1 million</p>	<p>Fully implement GAD Plans and Programs for the attainment of the objective of GAD commitments, plans and policies.</p>	<p>Partially Implemented</p> <p>While the financial utilization is only 39.78 per cent, the plan in CY 2013 was designed for data gathering in 11 barangays, which was fully accomplished. The subsequent plan endorsed by PCW for CY 2014 would reflect the continuation of the data gathering activities in the remaining three barangays.</p> <p>To date, recalibration of GAD plans and programs for CY 2014 is being conducted in coordination with BCDA to ensure an attainable and sustainable GAD program.</p>

Reference	Observation	Recommendations	Status of Implementation
<p>AAR 2012, Status of Implementation of PY Audit Recommendations No. 3, page 26</p> <p>and</p> <p>AAR 2012 Status of Implementation of PY Audit Recommendations No. 3, page 26</p>	<p>5. Existence and accuracy of inventories totaling P7.606 million unreliable</p>	<p>Conduct reconciliation of inventory accounts with accounting records to validate the accuracy of the inventories as presented in the financial statements.</p>	<p>Partially Implemented Reconciliation of accounts is on-going and is nearing completion.</p>
<p>AAR 2012 Status of Implementation of PY Audit Recommendations No. 6, page 28</p>	<p>6. Due to Home Office and Other long term liabilities amounting to P2.310 million and P3.743, respectively, unreliable due to incomplete documentation</p>	<p>Instruct the Finance Department to properly document the accounts affected in order to establish their authenticity in compliance with the provisions of PD No. 1445.</p>	<p>Partially Implemented Reconciliation of accounts was conducted with BCDA officers but adjustments will be taken up in CY 2014.</p>
<p>AAR 2012, Status of Implementation of PY Audit Recommendations No. 8, page 29</p>	<p>7. Health insurance coverage paid to Fortune Medicare, Inc. in the amount of P458,298 without legal basis</p>	<p>Obtain an authority from the Office of the President.</p>	<p>Not Implemented Notice of Disallowance No. 2014-01 dated January 10, 2014 was issued.</p>
<p>AAR 2012, Status of Implementation of PY Audit Recommendations No. 9, page 29</p>	<p>8. Salary differential paid in the amount of P50,759 not in concurrence with the provisions of JHMC Policy No. 003-2004</p>	<p>a. Refund the salary differential amounting to P50,759; and</p> <p>b. Observe strict compliance to the provisions of JHMC Policy No. 003-2004.</p>	<p>Partially Implemented The concerned employee had refunded the amount of P6,500 in CY 2012.</p> <p>Partially Implemented. The matter was endorsed to the DOLE where the advisory opinion rendered is in the affirmative based on the appointment paper when the employee actually assumed the duties and responsibilities of a Cashier.</p>

Reference	Observation	Recommendations	Status of Implementation
<p>AAR 2012 Status of Implementation of PY Audit Recommendations No. 11, page 30</p>	<p>9. Delayed submission of financial statements, trial balances, disbursements vouchers, official receipts and journal entry vouchers deferring COA audit</p>	<p>a. Require all accountable officers to immediately submit supporting documents to the Finance Department and to the Office of the Auditor; and</p> <p>b. Require the Finance Department Manager to supervise and monitor the submission of the financial reports to the Office of the Auditor within the prescribed period.</p>	<p>Partially Implemented Submission of all documents is on-going.</p> <p>Partially Implemented Submission of all documents is on-going.</p>
<p>AAR 2012, Status of Implementation of PY Audit Recommendations No. 12, page 31</p>	<p>10. Non-submission of disbursement vouchers and necessary evidences to support claims against government funds totaling P814,995.</p>	<p>Instruct the Finance Department the immediate submission of disbursement vouchers and other required evidences to support government expenditures.</p>	<p>Not Implemented. No disbursement vouchers and other required evidences were submitted to COA.</p> <p>For issuance of Notice of Suspension/Disallowance.</p>
<p>AAR 2012 Status of Implementation of PY Audit Recommendations No. 14, page 31</p>	<p>11. Record book for accountable forms and Report of Accountability for Accountable Forms (RAAF) not appropriately prepared for control and accountability of the forms.</p>	<p>Instruct the concerned employees to properly prepare the record book and the report of accountability for accountable forms as prescribed under Sections 95 and 98 of the GAAM.</p>	<p>Fully Implemented</p>
<p>AAR 2012, Status of Implementation of PY Audit Recommendations No. 15, page 32</p>	<p>12. Continuous occupancy of informal settlers in the 677 hectares of the John Hay reservation area</p>	<p>a. Design policies and implementing guidelines to prevent illegal occupancy or construction of structures by informal settlers in</p>	<p>Partially Implemented Data gathered from the results of the relocation with structure survey and utility survey for the 13 barangays within the John Hay Reservation Area</p>

Reference	Observation	Recommendations	Status of Implementation
		<p>the area to end the rampant conversion of the forests and watersheds;</p> <p>b. Design a monitoring mechanism to validate effectiveness of the policies and its implementation; and</p> <p>c. Conduct comprehensive survey within the reservation area to identify the actual number of informal settlers.</p>	<p>(JHRA), with Military Cut-off and Outlook Drive for further validation as to its inclusion into the JHRA, will be used to establish guidelines for the following:</p> <ul style="list-style-type: none"> <li>✓ Preservation of delineated forest covers and watersheds;</li> <li>✓ Retention of open areas by BCDA/JHMC to be proposed for master planning for investment possibilities;</li> <li>✓ Updated census for actual occupants within the JHRA; and</li> <li>✓ Prevention of entry of illegal settlers into non-segregated areas.</li> </ul> <p>Partially Implemented The audit team will validate the effectiveness of the monitoring mechanism in CY 2014.</p> <p>Partially Implemented The team will validate the accomplishment of the survey team in CY 2014.</p>
<p>AAR 2012, Status of Implementation of PY Audit Recommendations No. 16, page 33</p>	<p>13. JHMC Stock and Transfer Book not updated</p>	<p>a. Update the Stock and Transfer Book;</p> <p>b. Expedite the issuance of stock certificates to present members of</p>	<p>Partially Implemented JHMC has an extended Memorandum of Agreement with the Office of the Government Corporate Counsel (OGCC) which includes the update of the JHMC Stock and Transfer Book (STB).</p> <p>Not Implemented Issuance of stock certificate will follow after the Stock and Transfer Book has</p>



Reference	Observation	Recommendations	Status of Implementation
		<p>the JHMC Board of Directors, so as not to compromise the authority of the members of the board to exercise corporate powers and conduct business; and</p> <p>c. Cancel stock certificates of separated members of the Board.</p>	<p>been updated.</p> <p>Not Implemented Management is still in the process of collecting available data for cancellation.</p> <p>To be monitored in CY 2014 audit.</p>
<p>AAR 2012, Status of Implementation of PY Audit Recommendations No. 17, page 33</p>	<p>14. JHMC stock certificates issued in excess of the authorized capital stock not approved by the Securities and Exchange Commission (SEC)</p>	<p>Request the Corporate Secretary to seek the approval of the SEC on the increase in authorized capital stock.</p>	<p>Partially Implemented The update of the Stock and Transfer Book is a requirement for the amendment of the Articles of Incorporation to effect the increase of the JHMC's Authorized Capital Stock. The STB was turned over to OGCC in 2011.</p> <p>To be monitored in CY 2014 audit.</p>