

**National Aviation Academy of the Philippines**  
 The National Professional Institution for Aviation  
 (formerly Philippine State College of Aeronautics)  
**AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION (AAPS)**  
**AUDIT OBSERVATIONS AND RECOMMENDATIONS**  
 FY 2025 and Prior Years

| Reference                  | Audit Observations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Audit Recommendation                                                                                                                                                                                                                                                                                                                                                                           | Agency Action Plan |                           |                                  | Status of Implementation | Reason for Partial / Delay / Non-Implementation, if applicable | Action Taken / Action to be Taken                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| AAR<br>2025 pages<br>47-61 | <b>A. Financial Audit</b><br><i>Accounting Errors and Omissions</i><br><br>1. There are no material misstatements in the FSs of the NAAP as of December 31, 2026 and accounting errors totaling P60,252,720.77, as summarized in Annex A, have been adjusted in the books of accounts of the NAAP as of year-end.<br><br><i>Accounting Deficiencies</i><br><br>2. Several account balances as of December 31, 2025, were unreliable due to unreconciled and unsubstantiated balances stemming from missing or inadequate records, schedules and supporting documents. |                                                                                                                                                                                                                                                                                                                                                                                                |                    |                           |                                  |                          |                                                                |                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                            | <b>a. Unaccounted balances</b><br><i>i. Unaccounted bank debits - P3,135,957.75</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>We recommended and the Management agreed to direct the Accountant to prioritize the identification and resolution of the P3,135,957.75 unaccounted bank debits in close coordination with the concerned banks to determine the nature of these pre-2019 unrecorded disbursements and prepare the necessary Adjusting Journal Entries (AJEs) to recognize them in the Books of Accounts.</b> |                    | Accounting Unit           | 2026                             | 2027                     | Partially Implemented                                          | The discrepancy pertains to pre-2019 bank transactions and requires extensive tracing and verification due to the age of the transactions.                     | Management acknowledges the recommendation. The Accounting Unit has submitted a bank statement covering January to July 2026. It shall prioritize the reconciliation and verification of the unaccounted bank debits with the concerned bank and, upon substantiation, prepare the necessary Adjusting Journal Entries (AJEs) to properly recognize and record the transactions in the Books of Accounts. The Accounting Unit will coordinate with the COA Audit Team for further details and guidance. |
|                            | <i>ii. Unsupported Payroll Account - P193,595.96</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>We recommended and the Management agreed to direct the Accountant to discontinue the maintenance of the unsupported temporary holding account and provide a detailed breakdown and supporting documentation for the P193,595.96 balance in Payroll Account No. 3562-1003-84.</b>                                                                                                            |                    | Accounting Unit           | 2026                             | 2027                     | Partially Implemented                                          | The ₱114,096.18 balance in Payroll Account No. 3562-1003-84 requires further verification and detailed breakdown to determine the nature and proper accounting | The Accounting Unit has reconciled the balance from ₱193,595.96 to 114 (exact figure)... and continuously reconciling the remaining amount with various departments. The required accounting adjustments shall be made upon completion of verification.                                                                                                                                                                                                                                                 |

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| Reference | Audit Observations                                                                                         | Audit Recommendation                                                                                                                                                                                                                                                                                                                                               | Agency Action Plan |                           |                       |      | Status of Implementation | Reason for Partial / Delay / Non-Implementation, if applicable                                                                                                                            | Action Taken / Action to be Taken                                                                                                                                                                                                                                                                                                                                                                                                                  |
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|           |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                    | Action Plan        | Person / Dept Responsible | Target Implementation |      |                          |                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| From      | To                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                    |                    |                           |                       |      |                          |                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|           | <i>iii. Unaccounted Inter-Agency Account balances - P4,175,096.61</i>                                      | We recommended and the Management agreed to analyze and substantiate the unaccounted balances amounting to P3,204,735.13 (BIR), P219,008.41 (GSIS), P23,325.17 (PhilHealth), and P728,027.90 (Pag-IBIG) by determining their nature and validity and prepare the necessary adjusting entries supported by complete documentation.                                  |                    | Accounting Unit           | 2026                  | 2027 | Partially Implemented    | The year 2024 and prior years accumulated balances are continuously being reconciled.                                                                                                     | Coordination with PhilHealth and Pag-IBIG was undertaken, with PhilHealth issuing a CY 2024 certification of the amounts remitted as a form of verification. Further reconciliation with the BIR, GSIS, PhilHealth, and Pag-IBIG are continuously being undertaken, with the necessary Adjusting Journal Entries (AJEs) to be prepared upon verification and substantiation of the balances. Supporting documents are attached as <b>Annex A</b> . |
|           | <b>b. Improper maintenance of subsidiary ledgers</b>                                                       |                                                                                                                                                                                                                                                                                                                                                                    |                    |                           |                       |      |                          |                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|           | <i>i. Deficient Subsidiary Ledger (SL) due to lack of breakdown for each fund source - P477,411,701.01</i> | We recommended and the Management agreed to direct the Accountant to strictly comply with Section 32 of CMO No. 20, s. 2011 by maintaining detailed SLs for all bank accounts, particularly the STF and Payroll funds.                                                                                                                                             |                    | Accounting Unit           | 2026                  | 2027 | Partially Implemented    | Detailed subsidiary ledgers by fund source are still being completed.                                                                                                                     | The Accounting Unit has strictly complied with Section 32 of CMO No. 20, s. 2011 by maintaining detailed SLs for all bank accounts, particularly the STF and Payroll funds. The Accounting Unit is currently reviewing the STF accounts.                                                                                                                                                                                                           |
|           | <i>ii. Deficient SLs due to lack of verified beginning balances - P17,067,742.62</i>                       | We recommended and the Management agreed to direct the Accountant to prioritize the reconstruction of SLs for the Advances to Contractors account by ensuring all beginning balances are verified and carried forward, while implementing a mandatory monthly reconciliation with the GL control account to immediately investigate and correct any discrepancies. |                    | Accounting Unit           | 2026                  | 2027 | Partially Implemented    | Historical beginning balances and supporting documents are still being verified; hence, the reconstruction of the SLs and monthly reconciliation with the GL have not yet been completed. | Management agrees with the recommendation. An estimated 50% of the account has been verified and reconstructed. Upon completion of the verification, the validated balances shall be properly carried forward. Reconciliation of the SLs with the General Ledger (GL) is likewise being undertaken to promptly resolve any discrepancies.                                                                                                          |
|           | <i>iii. Non-maintenance of Detailed SLs for Guaranty/Security Deposits Payable - P11,158,187.26</i>        | We recommended and the Management agreed to direct the AU to prioritize the reconstruction of SLs for the Guaranty Security Deposits Payable Account by reviewing historical vouchers and contracts, and to mandate a monthly reconciliation between the GL and SLs to ensure the accuracy of the balances and the immediate correction of discrepancies.          |                    | Accounting Unit           | 2026                  | 2027 | Partially Implemented    | Historical vouchers and contracts are still being validated, and the reconstruction of the SLs and reconciliation with the GL have not yet been completed.                                | The Accounting Unit has updated the GL and SL accounts, and is currently reviewing the reconciliation of the total amounts mentioned in the Audit Observation Memorandum.                                                                                                                                                                                                                                                                          |

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|           |                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                            |                    |                                | From                  | To   |                          |                                                                                                                 |                                                                                                                                                                                                                                                                                      |
|           | <b>c. Unreconciled balances among financial, and accounting reports and records - P2,845,562.78</b><br><br><i>i. Variances between the accounting records and the RPCI - P281,692.48</i> | <b>We recommended and the Management agreed to direct the Accounting and Supply Units to investigate the variances between the RPCI and the accounting records totalling P72,548.48 and prepare the necessary adjustments.</b>                                                                                                                                                                             |                    | Accounting Unit<br>Supply Unit | 2026                  | 2027 | Partially Implemented    | Partial implementation is due to the ongoing validation and reconciliation of the RPCI and accounting records.  | Management agrees with the recommendation. The Accounting and Supply Units are currently validating the RPCI and accounting records to determine the variances amounting to P72,548.48. Necessary adjustments shall be prepared upon completion of the inventory by the end of 2026. |
|           | <i>ii. Discrepancy between RSML and books - P858,065.33</i>                                                                                                                              | <b>We recommended and the Management agreed to direct the Accounting and Supply Units to reconcile the RSML issuances against the books of accounts to resolve the identified P858,065.33 variance and prepare the necessary adjusting entries.</b>                                                                                                                                                        |                    | Accounting Unit<br>Supply Unit | 2026                  | 2027 | Partially Implemented    | Partial implementation is due to the ongoing validation and reconciliation of the RSML and accounting records.. | Management agrees with the recommendation. The Accounting and Supply Units are currently reconciling RSML issuances with the books of accounts to address the P858,065.33 variance. Necessary adjustments shall be prepared upon completion of the inventory by the end of 2026.     |
|           | <i>iii. Unreconciled ending inventory between the GL and SLC - P 90,452.48</i>                                                                                                           | <b>We recommended and the Management agreed to direct the AU to conduct a thorough reconciliation between GL balances and the SLC balances to identify the root causes of the P90,452.48 discrepancy and effect the required adjustments.</b>                                                                                                                                                              |                    | Accounting Unit                | 2026                  | 2027 | Partially Implemented    | Reconciliation of the GL and SLC balances is still in progress                                                  | The Accounting Unit is currently reconciling the GL and SLC balances and identifying discrepancies. Necessary adjustments will be made upon completion of the reconciliation.                                                                                                        |
|           | <i>iv. Discrepancy between the GLs and PPELCs - P592,537.21</i>                                                                                                                          | <b>We recommended and the Management agreed to strengthen reconciliation and record-keeping in both the Accounting and Supply Units by requiring the Chief Accountant and the Supply Officer to complete the reconciliation of the GLs, PPELCs, RPCPPE and PCs to resolve the variances between property and accounting records and promptly effect necessary adjusting journal entries as applicable.</b> |                    | Accounting Unit<br>Supply Unit | 2026                  | 2027 | Partially Implemented    | Partial implementation is due to the ongoing reconciliation of the PPELC and GLs.                               | The Accounting Unit and Supply Unit are currently reconciling the GL and PPELC balances and identifying discrepancies. Necessary adjustments will be made upon completion of the reconciliation.                                                                                     |

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|           |                                                                                                                                                 |                                                                                                                                                                                                                                                            |                    |                                | From                  | To   |                          |                                                                                   |                                                                                                                                                                                                                                  |
|           | v. <i>Unreconciled balances between the GLs and RPCPPE - P361,357.62</i>                                                                        |                                                                                                                                                                                                                                                            |                    | Accounting Unit<br>Supply Unit |                       |      | Partially Implemented    | Partial implementation is due to the ongoing reconciliation of the GLS and RPCPPE | The Accounting Unit and Supply Unit are currently reconciling the GLs and RPCPPE balances and has identified 30-40% discrepancies for necessary adjustments. Further reconciliation shall be made upon completion of the review. |
|           | vi. <i>Discrepancy between the PPELCs and PCs - P661,457.66</i>                                                                                 |                                                                                                                                                                                                                                                            |                    | Accounting Unit<br>Supply Unit | 2026                  | 2027 | Partially Implemented    | Partial implementation is due to the ongoing reconciliation of the PPELCs and PCs | The Accounting Unit and Supply Unit are currently reconciling the PPELCs and PCs balances and identifying discrepancies. Necessary adjustments will be made upon completion of the reconciliation.                               |
|           | d. <i>Non-maintenance of SPLCs - P3,847,038.20</i>                                                                                              | <b>We recommended and the Management agreed to direct the AU to maintain and update the SPLCs and ensure that all receipts and issuances are recorded promptly and accurately.</b>                                                                         |                    | Accounting Unit                | 2026                  | 2027 | Partially Implemented    | Updating and validation of the SPLCs and supporting records are still in progress | The Accounting Unit has commenced with the review of the accounts and shall maintain and update the SPLCs; and review the receipts and issuances to ensure that all transactions are properly and accurately recorded.           |
|           | e. <i>Erroneous recognition of withholding taxes on advance payments for mobilization fees and contractor progress billings - P1,563,370.73</i> | <b>We recommended and the Management agreed to require the AU to:</b><br><b>a. strictly adhere to the GAM for NGAs by ensuring that taxes are withheld only upon the recognition of progress billings and not on the payment of mobilization fees; and</b> |                    | Accounting Unit                | 2026                  | 2027 | Fully Implemented        |                                                                                   | The Accounting Unit has strictly adhered with the GAM for NGAs as of 2026.                                                                                                                                                       |

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|                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | b. perform a detailed validation of the total incorrect tax withholding on mobilization fees and progress billings amounting to P1,563,370.73, and establish a formal coordination process with the BIR to determine the appropriate refund or tax credit mechanism.                                                                                 |                    | Accounting Unit           | 2026                  | 2027 | Partially Implemented    | Coordination with the BIR to determine the appropriate refund or tax credit mechanism is yet to be undertaken. | The Accounting Unit has validated the erroneous withholding taxes. Coordination with the BIR shall be undertaken to determine the appropriate refund or tax credit mechanism. Supporting documents are attached as <b>Annex B</b> .                                                                                                                                       |
| AAR 2025 pages 61-64 | <b>OTHER AUDIT AREAS</b><br><br><i>Utilization of Regular Agency Funds (RAF)</i><br><br>3 For CY 2025, the Academy received total allotments amounting to P587,058,231.00, with P580,468,539.43 (98.88%) obligation, reflecting substantial utilization of funds for intended purposes, thus achieving a high budget execution rate leaving an unobligated balance of only P6,589,691.57 (1.12%) as of year-end.<br><br>a. <i>Unutilized allotment - P6,589,691.57</i> | <br><br><br><br><br><br><br><br><br><br><b>For the marginal unutilized funds and unreleased appropriations, we recommended and the Management agreed to:</b><br><br>a. maximize the utilization of the allotments received within the period of their validity to ensure that optimum results and benefits derived from the funds would be realized; |                    | Budget Unit               | 2026                  | 2027 | Fully Implemented        |                                                                                                                | NAAP formally offered the FY 2025 unobligated balance to the National Government as savings pursuant to NBC Nos. 602 and 603, as evidenced by <b>Annex C</b> . Considering the 98.88% obligation rate and the lawful disposition of the remaining balance, Management respectfully requests that the recommendation be considered implemented, subject to COA validation. |

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| From                 | To                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                     |                    |                           |                       |      |                          |                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                  |
|                      | b. <i>Unreleased Appropriation - P59,986,061.00</i>                                                                                                                                                                                                                                                                                                                                                                                                                   | b. direct the HRMSD to undertake the necessary recruitment activities, including the timely publication and processing of vacant positions, and to identify the specific causes for existing delays. Management should establish a concrete recruitment timeline to facilitate the filling of authorized positions, to ensure that PS appropriations are fully utilized and critical roles are not left vacant; and |                    | HRMSD                     | 2026                  | 2027 | Partially Implemented    | Recruitment remains affected by limited staffing, applicant withdrawals, and the BOT approval cycle for positions requiring Board action. | Augmentation of personnel assigned to recruitment has been implemented, and continuous publication of vacant positions. The HRMSD commits to maintain a consolidated recruitment tracker showing publication dates, applicants, assessment stages, target appointment dates, and BOT action for positions requiring Board approval, and will submit the tracker and recruitment records as MOVs. |
|                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | c. coordinate closely with the DBM regarding the P44, 747,630.00 in unreleased FHE funds to ensure funding of its programs                                                                                                                                                                                                                                                                                          |                    | Budget Unit               | 2026                  | 2027 | Fully Implemented        |                                                                                                                                           | NAAP has received the 2025 FHE Funds for the implementation of the Academy's programs, as evidenced by <b>Annex D</b> .                                                                                                                                                                                                                                                                          |
| AAR 2025 pages 65-70 | Utilization of Special Trust Fund (STF)<br>4 Of the P420,483,579.33 total approved budget for the Special Trust Fund (STF), only P279,078,632.31 or 66.37% was utilized, leaving an unutilized balance of P141,404,947.02 (33.63%) due to possible budget overestimation or planning misalignment, leading to missed opportunities to enhance facilities, learning materials, and research programs benefiting<br>a. <i>Unutilized Budgets for PS - P4,459,544.77</i> | We recommended and the Management agreed to:<br>a. prepare a more realistic budget by aligning fund allocations with the Academy's actual absorptive capacity, ensuring that the budget corresponds to both the projected implementation timelines and the operational requirements of planned PPAs;                                                                                                                |                    | Budget Unit               | 2026                  | 2027 | Partially Implemented    | The PS budget and hiring schedule are still being aligned with realistic appointment dates and absorptive capacity.                       | Regular coordination between the Budget Unit and HRMSD has been undertaken to align the PS budget with the approved staffing pattern.                                                                                                                                                                                                                                                            |

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|           | b. <i>Unutilized Budget for MOOE - P87,746,359.74</i> | b. strengthen coordination between End-Users and the Budget Office by establishing a formal monitoring mechanism to ensure that budget allocations, particularly for Other MOOE and CO, are supported by actual purchase requests;                                                                                                                                     |                    | Budget Unit<br>End-Users                | 2026                  | 2027 | Fully Implemented        | The formal budget-versus-APP monitoring mechanism and complete end-user purchase requirements are still being consolidated.   | A monthly budget-versus-APP implementation matrix between the Budget, Supply, Procurement, and BAC Units identify the unsupported allocations, delays, responsible offices, corrective actions, and revised deadlines.                                                                                                                                                                                    |
|           | c. <i>Unutilized Budget for CO - P49,199,042.51</i>   | c. address the delays in executing MOA by formulating and implementing a transition and risk management plan for projects requiring MOAs, including contingency measures and periodic progress reviews, to minimize delays and ensure the timely utilization of funds and implementation of projects activities;                                                       |                    | Budget Unit                             | 2026                  | 2027 | Fully Implemented        | Project-specific transition and risk-management plans for MOA-dependent CO projects have not yet been completed.              | The Budget Unit is reviewing each CO item in the APP against its documentary requirements and implementation schedule. For every MOA-dependent project, the responsible offices will prepare a transition and risk-management plan identifying milestones, dependencies, contingency measures, escalation points, and periodic progress reviews.                                                          |
|           |                                                       | d. implement a validation phase before finalizing procurement for equipment (e.g the document scanner) to confirm that the operational need still exists; and                                                                                                                                                                                                          |                    | Budget Unit                             | 2026                  | 2027 | Fully Implemented        | The formal operational-need and implementation-readiness validation has not yet been completed for all affected procurements. | Before procurement proceeds, the Budget, Supply/Procurement, and End-User Units documents validation of the continuing operational need, technical requirements, implementation readiness, and realistic delivery schedule. The resulting end-user certification and validation record will form part of the procurement file.                                                                            |
|           |                                                       | e. closely monitor the status of the P44,199,042.51 unutilized PPE budget, identify specific bottlenecks in the procurement or implementation stages and take corrective actions, including the prompt resolution of procurement issues and enhancement of project monitoring mechanisms, to ensure the timely completion of infrastructure and laboratory facilities. |                    | Budget Unit<br>IDPO<br>Procurement Unit | 2026                  | 2027 | Fully Implemented        | Project bottlenecks, corrective actions, and revised deadlines have not yet been fully documented and resolved.               | The Budget Unit, Procurement, and IDP has established project-level monitoring for the unutilized infrastructure and laboratory-facility budget. The monitoring matrix and the OpenProject tool states the procurement stage, specific bottleneck, corrective action, responsible office, revised deadline, and matter requiring Management or BOT action, and will be updated and reported periodically. |

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|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                    |                           | From                  | To   |                          |                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| AAR 2025 pages 70 - 71 | <p><i>Non-disposal of unserviceable properties</i></p> <p>5 The Academy failed to dispose of its unserviceable properties totaling P5,588,243.08 as of December 31, 2025, thus exposing the assets to further deterioration and loss of value, limiting opportunities for alternative use or recovery of residual value, occupying storage space that could otherwise be utilized for operational purposes, and weakened controls over property accountability, contrary to the COA-DBM JC No. 2024-1.</p> | <p><b>We recommended and the Management agreed to direct the Supply Unit to immediately prepare the IIRUP for the unserviceable properties totaling P5,588,243.08, and facilitate the immediate disposal of these assets in accordance with the Revised Manual on the Disposal of Government Properties and existing COA guidelines.</b></p>                                                                                                                 |                    | Supply Unit               | 2026                  | 2027 | Partially Implemented    | <p>The physical inventory is ongoing; the final WMR/IIRUP and actual disposal have not yet been completed.</p>                                                                                                                 | <p>The Supply Unit is conducting the physical inventory at the Villamor Campus and has completed the initial listing of identified waste materials and unserviceable properties. After validating the final list, it will prepare the WMR and IIRUP, obtain the required inspection and appraisal, and endorse the properties to the Disposal Committee for disposal under the approved guidelines and applicable COA-DBM rules. Completion will be supported by the inventory report, WMR/IIRUP, committee actions, and disposal records.</p> |
| AAR 2025 pages 70 - 73 | <p><i>Non-compliance with COA Circular No. 2020-006 - One-Time Cleansing of PPE Accounts</i></p> <p>6 The Academy failed to fully implement the One-Time Cleansing of PPE Accounts as prescribed under COA Circular No. 2020-006. These deficiencies resulted in weakened control over property accountability and undermined the accuracy, existence, and completeness of the PPE accounts.</p>                                                                                                           | <p><b>We recommended and the Management agreed to ensure full implementation of one-time cleansing of PPE accounts pursuant to COA Circular No. 2020-006. Specifically:</b></p> <p><b>a. direct the Inventory Committee to fast-track the preparation of Inventory Working Papers by finalizing the reconciliation of records;</b></p> <p><b>b. ensure that PIP is corrected to reflect actual conditions and resubmitted to the COA Audit Team; and</b></p> |                    | Supply Unit               | 2026                  | 2027 | Partially Implemented    | <p>The one-time cleansing Inventory Working Papers and complete reconciliation of PPE records have not yet been finalized.</p> <p>The corrected PIP and proof of resubmission to the COA Audit Team are not yet available.</p> | <p>The Inventory Committee and the Supply Unit will submit the operational plan by October 2026 for the conduct of the One-Time Cleansing of PPE Accounts.</p>                                                                                                                                                                                                                                                                                                                                                                                 |

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| Reference                    | Audit Observations                                                                                                                                                                                                                                                                                                                                                                                                                | Audit Recommendation                                                                                                                                                                                                                                                                                                                         | Agency Action Plan |                                |                       |      | Status of Implementation | Reason for Partial / Delay / Non-Implementation, if applicable                                                        | Action Taken / Action to be Taken                                                                                                                                                                                                                            |
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|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                              |                    |                                | From                  | To   |                          |                                                                                                                       |                                                                                                                                                                                                                                                              |
|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                   | c. conduct a formal investigation for the non-existent or missing PPE identified during the count. For items for which accountability cannot be established, initiate the request for authority to derecognize these assets from the books of accounts as prescribed under Paragraph 8 of COA Circular No. 2020-006.                         |                    | Supply Unit<br>Accounting Unit | 2026                  | 2027 |                          | The formal investigation and request for authority to derecognize unresolved missing PPE have not yet been completed. |                                                                                                                                                                                                                                                              |
| AAR<br>2025 pages<br>73 - 75 | Non-compliance with RA 12009 and its Implementing Rules and Regulations (IRR)<br><br>7 Advance payments to contractors amounting to P54,172,835.17 were disbursed without the required Irrevocable Standby Letter of Credit/Security Bond/Bank Guarantee, exposing government funds to risk of loss if contractor's default, contrary to Section 71.1.5 of the IRR of RA 12009 and COA Circular No. 2012-001 dated June 14, 2012. | We recommended and the Management agreed to direct the Accountant to:<br><br>a. ensure that no advance payments are released without the prior submission and verification of an Irrevocable Standby Letter of Credit, Security Bond, or Bank Guarantee pursuant to Section 71.1.5 of the IRR of RA 12009 and COA Circular No. 2012-001; and |                    | Accounting Unit                | 2026                  | 2027 | Fully Implemented        |                                                                                                                       | Management agrees with the recommendation. The Accounting Unit now ensures that no advance payment is released without the required Irrevocable Standby Letter of Credit, Security Bond, or Bank Guarantee.                                                  |
|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                   | b. implement a multi-level review and approval system for all infrastructure-related disbursements to ensure that documentary requirements and financial securities (specifically those required in Box A of the DV) are complete and physically verified.                                                                                   |                    | Accounting Unit                | 2026                  | 2027 | Fully Implemented        |                                                                                                                       | Management agrees with the recommendation. The Accounting Unit reviews and verifies infrastructure-related documents and required financial securities to ensure completeness and compliance with prescribed requirements prior to processing disbursements. |
| AAR<br>2025 pages<br>75 - 77 | 8 The Academy prematurely released retention money amounting to P2,743,525.34 and incorrectly withheld retention money amounting to P1,928,405.00, contrary to Section 71.2.8 of the IRR of RA 12009.                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                              |                    |                                |                       |      |                          |                                                                                                                       |                                                                                                                                                                                                                                                              |

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| Reference              | Audit Observations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Audit Recommendation                                                                                                                                                                                                                                                               | Agency Action Plan |                                |                       |      | Status of Implementation | Reason for Partial / Delay / Non-Implementation, if applicable                                                                    | Action Taken / Action to be Taken                                                                                                                                                                                                                                       |
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| From                   | To                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                    |                    |                                |                       |      |                          |                                                                                                                                   |                                                                                                                                                                                                                                                                         |
|                        | <p>a. Premature release of retention money - P2,743,525.34</p> <p>b. Incorrect withholding of retention money - P1,928,405.00</p>                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>We recommended and the Management agreed to direct the AU to faithfully comply with Section 71.2.8 of the IRR of RA 12009 on the withholding and release of retention money.</b>                                                                                                |                    | Accounting Unit                | 2026                  | 2027 | Fully Implemented        |                                                                                                                                   | Management agrees with the recommendation. The Accounting Unit adheres to the prescribed requirements and ensures that all necessary documents are reviewed and verified prior to the release of retention money. Supporting documents are attached as <b>Annex E</b> . |
| AAR 2025 pages 78 - 81 | <i>Delay in the Submission of Financial and Budgetary Reports</i><br><br>9 The Academy incurred delays in the submission of its financial and budgetary reports ranging from one to 292 days, contrary to Section 122 of PD 1445, COA Circular No. 2009-006, and the GAM for NGAs, Volume I, Thus precluded the timely conduct of audit reviews, hindered the early detection of errors and delayed the early communication of vital audit results to the management, oversight agencies, and other users of financial information in their decision-making. | <b>We recommended and the Management agreed to:</b>                                                                                                                                                                                                                                |                    | Accounting Unit<br>Budget Unit | 2026                  | 2027 | Fully Implemented        | Partial implementation is due to delays in the consolidation and verification of supporting documents.                            | The Accounting Unit and Budget Unit have complied with the prescribed deadlines for some reports and continue to undertake measures to ensure the timely submission of all required reports. Delays have been minimized from 362 days to 5 days.                        |
|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>a. direct the Accounting and the Budget Units to strictly adhere to the prescribed deadlines for the submission of the financial and budget accountability reports as mandated by Sections 7.1.1 and 7.2.1 of the COA Circular No. 2009-006 and GAM for NGAs, Volume I; and</b> |                    | Accounting Unit<br>Budget Unit | 2026                  | 2027 | Fully Implemented        |                                                                                                                                   |                                                                                                                                                                                                                                                                         |
|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>b. identify the root causes of the noted delays and implement a streamlines workflow for preparation and submission of reports to ensure timely and consistent compliance; and</b>                                                                                              |                    | Accounting Unit<br>Budget Unit | 2026                  | 2027 | Fully Implemented        |                                                                                                                                   |                                                                                                                                                                                                                                                                         |
|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>c. enforce the withholding of the salaries of concerned officials/employees until the required reports are submitted, if warranted by the circumstances, pursuant to Section 122 of PD 1445</b>                                                                                 |                    | Accounting Unit<br>Budget Unit | 2026                  | 2027 | Fully Implemented        | Partial implementation is due to ongoing follow-up with concerned officials and employees for the submission of required reports. |                                                                                                                                                                                                                                                                         |

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| Reference              | Audit Observations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Audit Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Agency Action Plan |                           |                       |      | Status of Implementation | Reason for Partial / Delay / Non-Implementation, if applicable                                                   | Action Taken / Action to be Taken                                                                                                                                                                                                                                                                                                                                                                               |
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|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Action Plan        | Person / Dept Responsible | Target Implementation |      |                          |                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                 |
| From                   | To                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                    |                           |                       |      |                          |                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                 |
| AAR 2025 pages 81 - 82 | <i>Delayed Submission of Purchase Orders (PO)</i><br><br>10 The Academy incurred delays in the submission of 10 contracts and POs ranging from one to 41 days, contrary to items 3.1.1 and 3.2.1 of COA Circular No. 2009-001 dated February 12, 2009, thus hindering the prompt review thereon and evaluation and depriving the agency of opportunities to implement timely corrective actions.                                                                                                                                                                                                                                               | <b>We recommended and the Management agreed to strictly comply with the submission deadlines prescribed in COA Circular No. 2009-001 dated February 12, 2009 by requiring concerned personnel to establish a tracking mechanism.</b>                                                                                                                                                                                                                                                                                                |                    | Bids and Awards Committee | 2026                  | 2027 | Fully Implemented        | The tracking mechanism is still proposed and proof of consistent timely submission has not yet been established. | The BAC Secretariat commits to strictly comply with the submission deadlines.<br><b>See Annex F.</b>                                                                                                                                                                                                                                                                                                            |
| AAR 2025 pages 83 - 89 | <i>Gender and Development (GAD)-related Programs, Activities, and Projects (PAPs)</i><br><br>11 The Academy did not fully comply with mandatory GAD requirements for FY 2025, as evidenced by: (a) the non-preparation of a GAD Agenda; (b) the absence of a PCW-endorsed GAD Plan and Budget (GPB); and (c) a minimal budget utilization rate of only 0.34 percent contrary to PCW-NEDA-DBM Joint Circular 2012-01 and Section 36 of the Magna Carta of Women (RA 9710) thus undermining GAD's core objective of promoting gender-responsive governance and equitable resource allocation.<br><br>a. <i>Non-preparation of the GAD Agenda</i> | <b>We recommended and the Management agreed to direct the GAD Focal Person to prioritize and expeditiously develop the NAAP GAD Agenda in strict compliance with PCW MC No. 20 2018-04 to provide a strategic framework for the Academy's gender mainstreaming efforts in order to effectively address gender issues identified and to ensure the judicious utilization of GAD funds to include the following:</b><br><br>a. <b>issuing an Office Memorandum to formalize the GAD Agenda development team and its timeline; and</b> |                    | GAD Focal Person          | 2026                  | 2027 | Partially Implemented    | The proposed GAD Agenda has not yet been finalized and approved using NAAP's current institutional framework.    | The GFPS, reconstituted in February 2026, served as the GAD Agenda development team and participated in the March 2026 GAD Agenda Planning Workshop. The workshop produced a proposed GAD Agenda matrix. The GFPS will finalize the document using NAAP's institutional data and current mandate, secure the required approval, and retain the approved GAD Agenda and issuance as MOVs.<br><b>See Annex G.</b> |

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| Reference | Audit Observations                           | Audit Recommendation                                                                                                                                                                                                                                                      | Agency Action Plan |                           |                       |      | Status of Implementation | Reason for Partial / Delay / Non-Implementation, if applicable                                                                             | Action Taken / Action to be Taken                                                                                                                                                                                                                                                                                                                                                                |
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|           |                                              |                                                                                                                                                                                                                                                                           |                    |                           | From                  | To   |                          |                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                  |
|           |                                              | b. engaging PCW-accredited GAD resource persons to provide technical guidance during the drafting process.                                                                                                                                                                |                    | GAD Focal Person          | 2026                  | 2027 | Fully Implemented        |                                                                                                                                            | The March 2026 GAD Agenda Planning Workshop was facilitated by a PCW-accredited GAD Resource Person from the UPLB Gender Center, who provided technical guidance during the drafting process. The post-activity report and supporting records are in <b>Annex H</b> . Management respectfully requests that this recommendation be considered implemented, subject to validation.                |
|           | b. Absence of a PCW-endorsed FY 2025 GAD GSB | We recommended and the Management agreed to:                                                                                                                                                                                                                              |                    |                           |                       |      |                          |                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                  |
|           |                                              | a. direct the GAD Focal Person to establish a formal Turnover Protocol for GAD-related records to ensure that all official communications, and pending PCW observations are systematically transitioned to successor focal to prevent the forfeiture of remedial periods; |                    | GAD Focal Person          | 2026                  | 2027 | Partially Implemented    | Electronic storage is in place, but the required formal turnover protocol has not yet been issued and evidenced.                           | Since November 2025, the GAD Office has maintained editable GAD records in a controlled Google Drive repository. To fully comply, the GFPS will issue a formal turnover protocol requiring an inventory of records and pending PCW observations, transfer of access, turnover checklist, receiving acknowledgment, and retention of official communications.                                     |
|           |                                              | b. require the GAD Focal Person to initiate immediate coordination with the PCW to seek technical assistance on how to rectify the current non-endorsement status and to ensure that the succeeding GPB submissions fully address the technical deficiencies noted; and   |                    | GAD Focal Person          | 2026                  | 2027 | Partially Implemented    | Formal PCW technical assistance and resolution of the noted GPB deficiencies have not yet been documented.                                 | Preparatory work for the FY 2027 GPB, including office and campus pre-work submissions and the planned GAD Planning and Budgeting Workshop, is underway. The GFPS will separately document its formal request for PCW technical assistance, the PCW response or advice received, the action taken on each technical deficiency, and the resulting endorsed or compliant GPB. <b>See Annex I.</b> |
|           |                                              | c. conduct a quarterly internal review of GAD compliance milestones a monitor the status of submission and ensure that technical observations from oversight bodies are addressed within the prescribed remedial periods                                                  |                    | GAD Focal Person          | 2026                  | 2027 | Partially Implemented    | A documented quarterly compliance review with milestone tracking and closure of oversight observations has not yet been institutionalized. | The GAD Office maintains a compliance-monitoring database and disseminates official PCW and CHED issuances. To complete the recommendation, the GFPS will conduct and document quarterly compliance reviews using a milestone matrix that records submission deadlines, oversight-body observations, responsible offices, remedial actions, and closure dates.                                   |

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| Reference | Audit Observations                                                              | Audit Recommendation                                                                                                                                                                                                                                                | Agency Action Plan |                           |                       |      | Status of Implementation | Reason for Partial / Delay / Non-Implementation, if applicable                                                                           | Action Taken / Action to be Taken                                                                                                                                                                                                                                                                                                                                                     |
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|           |                                                                                 |                                                                                                                                                                                                                                                                     | Action Plan        | Person / Dept Responsible | Target Implementation |      |                          |                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                       |
|           |                                                                                 |                                                                                                                                                                                                                                                                     |                    |                           | From                  | To   |                          |                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                       |
|           | c. Minimal budget utilization rate of only 0.34% of the GAD budgetary resources | <b>We recommended and the Management agreed to:</b><br><b>a. require strict compliance with the 5% GAD budget utilization mandate under PCW-NEDA-DBM Joint Circular 2012-01 and RA 9710 by ensuring that the allocated amount is fully obligated and disbursed;</b> |                    | GAD Focal Person          | 2026                  | 2027 | Partially Implemented    | Actual obligations and disbursements against the GAD utilization requirement and a time-bound catch-up plan have not yet been submitted. | Management acknowledges that commitment and planned activities alone do not establish compliance with the GAD fund-utilization requirement. The GFPS, Planning, Budget, and Accounting Units will submit a monthly obligation-and-disbursement matrix against the approved GPB, identify underutilization and causes, and implement a time-bound catch-up plan for eligible GAD PAPs. |
|           |                                                                                 | <b>b. conduct capacity building for GFPS members and budget officers on GAD planning, budgeting, and Harmonized Gender and Development Guidelines (HGDG) to ensure quality GAD attribution and implementation; and</b>                                              |                    | GAD Focal Person          | 2026                  | 2027 | Fully Implemented        |                                                                                                                                          | The HGDG Training Workshop for GFPS members and concerned administrative personnel was conducted in March 2026, and the HGDG tool is being applied in the preparation of the FY 2027 GPB. The post-activity report is in <b>Annex J</b> . Management respectfully requests that this recommendation be considered implemented, subject to validation.                                 |
|           |                                                                                 | <b>c. institutionalize quarterly monitoring of GAD fund utilization through the Planning and Finance Offices, with variance analysis and catch-up plans submitted to the Head of Agency for any underutilization below 25% per quarter.</b>                         |                    | GAD Focal Person          | 2026                  | 2027 | Partially Implemented    | The quarterly variance analyses and catch-up plans for submission to the Head of Agency have not yet been completed.                     | The GAD Office has established a fund-utilization tracker. To fully implement the recommendation, the GFPS, Planning, Budget, and Accounting Units will produce quarterly physical and financial variance analyses and submit a catch-up plan to the Head of Agency whenever utilization falls below the prescribed quarterly benchmark.                                              |

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| Reference              | Audit Observations                                                                                                                                                                                                                                                                                                                                     | Audit Recommendation                                                                                                                                                                                                                                                                                                                                                       | Agency Action Plan |                           |                       |      | Status of Implementation | Reason for Partial / Delay / Non-Implementation, if applicable                                                                            | Action Taken / Action to be Taken                                                                                                                                                                                                                                                                                                                                                      |
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|                        |                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                            |                    |                           | From                  | To   |                          |                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                        |
| AAR 2025 pages 89 - 92 | <i>Programs and Projects for Senior Citizens (SCs) and Persons with Disability (PWDs)</i>                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                            |                    |                           |                       |      |                          |                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                        |
|                        | 12 The Academy failed to formulate PPAs intended to address the concerns of PWDs and has only utilized P76,656.50, or only 5.23 percent, of the total allocated budget of P1,464,700.00 for intended PPAs for SCs, thus depriving these vulnerable sectors of intended programs and benefits, contrary to Section 33 of the GAA (RA 12116) and RA 7277 | <b>We recommended and the Management agreed to:</b>                                                                                                                                                                                                                                                                                                                        |                    |                           |                       |      |                          |                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                        |
|                        | a. <i>Non-preparation and non-submission of the Agency Plan of Action and Agency Implementation Report for PWDs</i>                                                                                                                                                                                                                                    | a. <b>direct the Focal Person and the Committee for PWDs to immediately formulate the required PPAs for the current and succeeding fiscal years, ensuring all formulated PPAs are strictly aligned with the Magna Carta for Disabled Persons (RA 7277) to address the specific social, economic, and physical barriers faced by PWDs; and</b>                              |                    | PWD Committee             | 2026                  | 2027 | Partially Implemented    | The approved PWD Plan of Action, aligned PPAs, and proof of submission to the proper oversight agency have not yet been fully documented. | The response of the PWD Committee Chairperson dated 1 April 2026 is submitted in <b>Annex K</b> . For full compliance, the Committee will submit the approved PWD Agency Plan of Action and corresponding PPAs for the current and succeeding years, demonstrate their alignment with RA No. 7277, and provide proof of submission to the proper oversight agency.                     |
|                        |                                                                                                                                                                                                                                                                                                                                                        | b. <b>address the alleged "excessive workload" of the FP for PWDs to review the current assignments of personnel holding multiple designations to ensure mandatory duties are prioritized.</b>                                                                                                                                                                             |                    | PWD Committee             | 2026                  | 2027 | Partially Implemented    | A formal workload review and the corresponding designation or work-allocation order have not yet been submitted.                          | The response of the PWD Committee Chairperson dated 1 April 2026 is in Annex K. Management will document a workload and multiple-designation review, identify duties affecting the timely performance of mandatory PWD functions, and issue the appropriate designation or work-allocation order giving priority to the statutory requirements.                                        |
|                        | b. <i>Significant unutilized fund of P1,388,043.50 or 94.77% of the total allocation for SCs</i>                                                                                                                                                                                                                                                       | <b>We recommended and the Management agreed to conduct thorough review to identify implementation bottlenecks such as procurement, personnel, or administrative delays, and mandate quarterly Physical vs. Financial target reviews by the Budget Office and SC Committee to ensure timely fund utilization and prevent a recurrence of the 94.77% unutilized balance.</b> |                    | Senior Citizens Committee | 2026                  | 2027 | Partially Implemented    | The detailed bottleneck matrix and documented quarterly physical-versus-financial reviews remain pending.                                 | Management has initiated a review of the implementation bottlenecks affecting Senior Citizen PAPs. The Senior Citizens Committee, with the Budget, Procurement, and Accounting Units, will complete a written bottleneck-and-corrective-action matrix and conduct documented quarterly physical-versus-financial target reviews to prevent recurrence of substantial underutilization. |

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| Reference              | Audit Observations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Audit Recommendation                                                                                                                                                                                                                                                                                                                                               | Agency Action Plan |                                             |                       |      | Status of Implementation | Reason for Partial / Delay / Non-Implementation, if applicable                                                                | Action Taken / Action to be Taken                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                    |                    |                                             | From                  | To   |                          |                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                        | <i>c. Non-submission of the mandatory reports to the NCSC and NCDA</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>We recommended and the Management agreed to enforce strictly compliance with DBM-DSWD-NCSC-NCDA JMC No.1, series of 2023 be ensuring the Agency Plan of Action and Agency Implementation Report are prepared using the prescribed templates and submitted to the NCSC and NCDA within the mandated timeline (on or before the end of January of each Year).</b> |                    | Senior Citizens Committee and PWD Committee | 2026                  | 2027 | Partially Implemented    | The existing submissions do not yet demonstrate compliance with both required recipients and the prescribed January deadline. | The Agency Plan of Action for Senior Citizens was transmitted to COA on 14 May 2026, while an Agency Accomplishment Report was transmitted to NCDA on 20 February 2026, as shown in <b>Annex L</b> . These submissions do not yet establish full compliance with the required recipients and January deadline. The concerned committees will submit the prescribed reports to both NCSC and NCDA, retain proof of receipt, and calendar the statutory deadline for succeeding years. |
| AAR 2025 pages 92 - 96 | <i>Compliance with Tax Laws / Audit of Due to BIR Account</i><br><br>13 The Academy failed to comply with the laws and regulations on the withholding of taxes from its suppliers, contractors, and personnel and the remittance of the same, due to: (a) insufficient taxes withheld on payment for other professional services amounting to P2,401,466.32; and (b) non-preparation and non-filing of the required Documentary Stamp Tax (DST) Declaration/Return for remittance of collected DST amounting to P170,400.00.<br><br><i>a. Insufficient taxes withheld on payment of the other professional services P2,401,466.32</i> | <b>We recommended and the Management agreed to require the AU to coordinate with FAST and demand the immediate settlement of the established under-withheld taxes to avoid the academy's liability for the deficiency.</b>                                                                                                                                         |                    | Accounting Unit                             | 2026                  | 2027 | Partially Implemented    | The previously under-withheld amount of ₱2,401,466.32 is being addressed for appropriate settlement.                          | Fast Aviation Academy has secured its Certificate of Registration (BIR Form 2303), a copy of which has been received by the Accounting Unit. The appropriate withholding taxes are now being applied to current payments based on its registered tax classification. The ₱2,401,466.32 deficiency remains subject to appropriate action. Supporting documentation is attached as <b>Annex M</b> .                                                                                    |

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| Reference                    | Audit Observations                                                                                                                                                                                                                                                                                                                                                                                                                 | Audit Recommendation                                                                                                                                                                                                                                                                                                                                                              | Agency Action Plan |                           |                       |      | Status of Implementation | Reason for Partial / Delay / Non-Implementation, if applicable                                                                         | Action Taken / Action to be Taken                                                                                                                                                                                                                                                                                                                                                                                 |
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|                              | <i>b. Non-preparation and non-filing of the required DST Declaration/Return for remittance of collected DST - P170,400.00</i>                                                                                                                                                                                                                                                                                                      | <b>We recommended and the Management agreed to require the AU to prepare and file the required BIR Form No. 2000 (DST Declaration/Return) and effect the immediate remittance of the accumulated collections of P170,400.00</b>                                                                                                                                                   |                    | Accounting Unit           | 2026                  | 2027 | Fully Implemented        |                                                                                                                                        | The Accounting Unit has effected the remittance of the accumulated DST collections amounting to ₱170,400.00. Proof of remittance, as reflected in the Report of Collections and Deposits, is attached as <b>Annex N</b> .                                                                                                                                                                                         |
| AAR<br>2025 pages<br>96 - 98 | <i>Compliance with the Withholding and Remittances of Deductions to the BIR, GSIS, Pag-IBIG and PhilHealth</i><br><br><b>14 The Academy had substantially complied with the laws and regulations on the withholding or deduction of taxes and premium contributions from its suppliers, contractors, and personnel and the remittance of the same, including the government share for the BIR, GSIS, Pag-IBIG, and PhilHealth.</b> | <b>However, we recommended and the Management agreed to:</b><br><br><b>a. prioritize the immediate settlement of all unremitted mandatory contributions and loan amortizations to GSIS, Pag-IBIG, and PhilHealth and ensure the full remittance in accordance with prescribed schedules to avoid payment of unnecessary penalties, surcharges, and other statutory sanctions;</b> |                    | Accounting Unit<br>HRMSD  | 2026                  | 2027 | Fully Implemented        | Partial implementation is due to the ongoing reconciliation of payroll and accounting records to address the identified discrepancies. | On April 30, 2026, HRMSD submitted its compliance with the audit observation, supported by FY 2025 payroll matrices for GSIS, Pag-IBIG, and PhilHealth remittances. The matrices show that withheld contributions and loan amortizations correspond with the amounts remitted. HRMSD and the Accounting Unit are reconciling the payroll and accounting records to address the discrepancies. <b>See Annex O.</b> |
|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>b. strengthen monitoring and control over the remittance process by implementing a mandatory monthly reconciliation between payroll registers and official receipts or validated deposit slips to ensure the timelines and accuracy of contributions and prevent future delays or discrepancies.</b>                                                                           |                    | Accounting Unit<br>HRMSD  | 2026                  | 2027 | Partially Implemented    | Reconciliation of payroll registers with official receipts and validated deposit slips is still in progress.                           | HRMSD and the Accounting Unit are conducting reconciliation of payroll registers against official receipts and validated deposit slips to ensure the timely and accurate remittance of contributions and prevent future delays or discrepancies.                                                                                                                                                                  |
|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                   |                    |                           |                       |      |                          |                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                   |

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| Reference               | Audit Observations                                                                                                                                                                                                                                                                                                               | Audit Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Agency Action Plan |                                                               |                       |      | Status of Implementation | Reason for Partial / Delay / Non-Implementation, if applicable                                                                    | Action Taken / Action to be Taken                                                                                                                                                                                                                                                                                                                                                                 |
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| AAR 2025 pages 99 - 101 | <p><i>Compliance with the Property Insurance Law</i></p> <p>15 Lapses were observed in complying with the Property Insurance Law (RA 656, as amended) and COA Circular 2018-002, thus, exposing the Academy to risk of unrecovered loss in case of damage or destruction.</p> <p>a. <i>Non-appraisal of insurable assets</i></p> | <p><b>We reiterated our prior year's recommendation, with modifications, and the Management agreed to direct the concerned officials and offices to:</b></p> <p>a. <b>Cause the immediate and thorough appraisal of all insurable assets, ensuring that assets valued above P10 million undergo an independent appraisal, while those valued at P10 million and below are evaluated by a qualified in-house appraiser, as mandated by Section 5.1(d) of COA Circular No. 2018-002; and</b></p> |                    | Inventory Committee<br>Supply Unit<br>Accounting Unit<br>IDPO | 2026                  | 2027 | Partially Implemented    | The appraisal of insurable assets, including the required independent appraisal of high-value assets, has not yet been completed. | The Supply Unit, Accounting, and IDP units has are closely coordinating together for the proposed funding requirement for the third party appraiser to ensure assets above ₱10 million undergo an independent appraisal, while assets valued at ₱10 million and below are appraised by a qualified in-house appraiser. The FY 2026 PIF will be submitted by November 2026.<br><b>See Annex P.</b> |
|                         |                                                                                                                                                                                                                                                                                                                                  | <p>b. <b>Update the PIF and ensure that it captures all insurable assets and required information, specifically market values, appraisal dates, and insurable interests. All data must be fully supported by appropriate documentation prior to the Head of Agency's approval and subsequent submission to the Supervising Auditor/Audit Team Leader and the GIF, GSIS within the prescribed timelines.</b></p>                                                                                |                    | Inventory Committee<br>Supply Unit<br>Accounting Unit<br>IDPO | 2026                  | 2027 | Partially Implemented    | The complete and supported PIF has not yet been updated, approved, and submitted to COA and GSIS-GIF.                             |                                                                                                                                                                                                                                                                                                                                                                                                   |

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| Reference                      | Audit Observations                                                                                                                                                                                                                                                                                                                              | Audit Recommendation                                                                                                                                                                                                                                                                                                                                                                | Agency Action Plan |                                                       |                       |      | Status of Implementation | Reason for Partial / Delay / Non-Implementation, if applicable                                   | Action Taken / Action to be Taken                                                                                                                                                                                                                                                                                                                                                                                                                            |
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|                                |                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                     | Action Plan        | Person / Dept Responsible                             | Target Implementation |      |                          |                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                |                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                     |                    |                                                       | From                  | To   |                          |                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                | b. Non-insurance of insurable assets – P17,156,374.80                                                                                                                                                                                                                                                                                           | We reiterated our prior year’s recommendation, with modifications, and the Management agreed to direct the concerned officials and offices to coordinate immediately with GSIS based on the results of the new appraisal and to incorporate the identified uninsured assets in the Academy’s insurance policy to ensure total protection of properties.                             |                    | Inventory Committee<br>Supply Unit<br>Accounting Unit | 2026                  | 2027 | Partially Implemented    | The identified uninsured assets have not yet been incorporated into the GSIS insurance coverage. | Management determined that the omission arose from a timing difference: the insured-property list was prepared in November 2025, while additional PPE adjustments were recorded after year-end. This explanation does not cure the uninsured exposure. The concerned units will reconcile the final PPE balances with the PIF and obtain from GSIS the necessary endorsement, rider, or additional coverage for all validated insurable assets. See Annex Q. |
| AAR<br>2025 pages<br>101 - 103 | Internal Audit Service<br><br>16 The Academy’s lack of a functional Internal Audit Services (IAS), contrary to RA 3456, AO 278, s. 1992, and AO 70 s. 2003, hindered the Management from ensuring efficient fiscal administration and evaluating governance, risk management, and internal controls through a structured, independent approach. | We reiterated our prior year’s recommendation, with modifications, and the Management agreed to:                                                                                                                                                                                                                                                                                    |                    | HRMSD                                                 | 2026                  | 2027 | Partially Implemented    |                                                                                                  | The recruitment process is ongoing through the HRMPSB and a possible designation of the Internal Auditor is likewise being considered.                                                                                                                                                                                                                                                                                                                       |
|                                |                                                                                                                                                                                                                                                                                                                                                 | a. Direct the HRMSD to expedite the recruitment and selection process for the three vacant Internal Auditor positions to ensure the immediate establishment of an IAU, as mandated by RA 3456 and DBM Circular Letter No. 2023-14;                                                                                                                                                  |                    | HRMSD                                                 | 2026                  | 2027 | Partially Implemented    |                                                                                                  | The recruitment process is ongoing through the HRMPSB and a possible designation of the Internal Auditor is likewise being considered.                                                                                                                                                                                                                                                                                                                       |
|                                |                                                                                                                                                                                                                                                                                                                                                 | b. Instruct the HRMSD to conduct a review of the current recruitment process to identify why previous applicants failed to proceed to subsequent stages. If necessary, consider re-advertising the positions with a wider reach to attract a larger pool of qualified candidates; and                                                                                               |                    | HRMSD                                                 | 2026                  | 2027 | Partially Implemented    |                                                                                                  | The recruitment process is ongoing through the HRMPSB and a possible designation of the Internal Auditor is likewise being considered.                                                                                                                                                                                                                                                                                                                       |
|                                |                                                                                                                                                                                                                                                                                                                                                 | c. Pending the permanent filling of the plantilla positions, consider the temporary designation of qualified existing personnel who are not involved in regular financial, accounting, or custodial functions to perform initial internal control reviews to ensure that the Academy begins to adopt a systematic approach to risk management and governance without further delay. |                    | HRMSD                                                 | 2026                  | 2027 | Partially Implemented    |                                                                                                  | The recruitment process is ongoing through the HRMPSB and a possible designation of the Internal Auditor is likewise being considered.                                                                                                                                                                                                                                                                                                                       |

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| Reference                | Audit Observations                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Audit Recommendation                                                                                                                                                                                                                                                                               | Agency Action Plan |                            |                       |      | Status of Implementation | Reason for Partial / Delay / Non-Implementation, if applicable                                                                         | Action Taken / Action to be Taken                                                                                                                                                                                                                                                                                                                                                                                             |
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| AAR 2025 pages 104 - 109 | Transparency and Accountability in Government Operations<br><br>17 The Academy failed to fully comply with the transparency and accountability provisions of the FY 2025 GAA due to non-posting of mandated information disclosures and financial reports on its official website, contravening the constitutional policy on full public disclosure and the people's right to information, thereby hindering public participation and compromising government integrity. | We recommended and the Management agreed to:<br><br>a. <b>direct all the concerned NAAP Officials and employees to immediately submit all the unposted mandatory reports to the Management Information System (MIS) Department for immediate posting and updating on its official website; and</b> |                    | Management MIS PIO         | 2026                  | 2027 | Fully Implemented        |                                                                                                                                        | The PIO and the website Data Controller coordinated with concerned offices, collected the required FY 2025 disclosures and financial reports, and posted or updated them in the NAAP Transparency Seal. <b>Annex R</b> contains the compliance evidence for audit validation. Management respectfully requests that the recommendation be considered implemented, subject to verification of the required postings and dates. |
|                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | b. <b>require strict compliance with the timely and regular updating of key information on the University's website, in accordance with the pertinent provisions of the FY 2025 GAA on the Transparency Seal.</b>                                                                                  |                    | Management MIS PIO         | 2026                  | 2027 | Fully Implemented        |                                                                                                                                        | The PIO and website Data Controller now monitor the recurring Transparency Seal requirements, coordinate submission by responsible offices, and update the NAAP website. The compliance evidence is in <b>Annex R</b> . Management respectfully requests that the recommendation be considered implemented, subject to COA validation of the completeness and timeliness of the postings.                                     |
| AAR 2025 pages 109 - 110 | Status of Audit Suspensions, Disallowances and Charges<br><br>18 Audit Disallowances totaling P30,646,858.42 remained unsettled as of December 31, 2025, contrary to Section 10.4 of the 2009 Rules and Regulations on Settlement of Accounts (RRSA) as prescribed by COA Circular No. 2009-006 dated September 15, 2009.<br><br>a. Details of Unsettled Notice of Suspensions/Disallowance/Charges<br><br>b. Ageing of the Notice of Disallowance (ND)                  | We recommended and the Management agreed to strictly enforce the settlement of the disallowances in compliance with Section 10.4 of the 2009 RRSA as prescribed by COA Circular No. 2009-006 dated September 15, 2009.                                                                             |                    | Accounting Unit Management | 2026                  | 2027 | Partially Implemented    | Some disallowances remain unsettled because certain accountable officers cannot be located or their current addresses are unavailable. | The Accounting Unit continues its collection efforts for unsettled disallowances through demand letters and follow-up actions, with some employees making partial payments toward their outstanding obligations. Supporting documents are attached as <b>Annex S</b> .                                                                                                                                                        |

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| Reference                                |                                                                                                                                                         | Audit Observations                                                                                                                                                                                                                         | Audit Recommendation | Agency Action Plan |                           |                       | Status of Implementation | Reason for Partial / Delay / Non-Implementation, if applicable                                                                                                                         | Action Taken / Action to be Taken                                                                                                                                                                                                                                                                                                                           |
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|                                          |                                                                                                                                                         |                                                                                                                                                                                                                                            |                      | Action Plan        | Person / Dept Responsible | Target Implementation |                          |                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                             |
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| PRIOR YEARS                              |                                                                                                                                                         |                                                                                                                                                                                                                                            |                      |                    |                           |                       |                          |                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                             |
| AAR CY 2024                              |                                                                                                                                                         |                                                                                                                                                                                                                                            |                      |                    |                           |                       |                          |                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                             |
| Par. Nos. 11.1 to 11.9<br>Pages 76 to 77 | 6 Granting of Additional Cash Advances (CA) Despite Non-liquidation of Prior CAs Given and Delay in the Liquidation of CAs Ranging from 12 to 273 Days. | a. <b>We reiterated our prior year's audit recommendations and Management agreed to refrain from granting additional cash advance to the same AO unless the previous CA/s had been settled or proper accounting had been made thereof;</b> |                      | Accounting Unit    | 2026                      | 2027                  | Fully Implemented        |                                                                                                                                                                                        | The Accounting Unit complies with the recommendation by requiring a Certificate of No Pending Cash Advance before granting a new cash advance to an accountable officer. This ensures that no additional cash advance is granted until previous cash advances have been settled. The Certificate of No Pending Cash Advance is attached as <b>Annex T</b> . |
|                                          |                                                                                                                                                         | b. <b>require the AOs to liquidate their CAs within the required period; and</b>                                                                                                                                                           |                      | Accounting Unit    | 2026                      | 2027                  | Fully Implemented        | Some accountable officers still fail to liquidate their cash advances within the prescribed period despite the measures undertaken by the Accounting Unit to ensure timely compliance. | The Accounting Unit requires accountable officers to submit liquidation reports within the prescribed period. Demand letters are issued to officers who fail to submit their liquidation reports on time. Supporting documents are attached as <b>Annex U</b> .                                                                                             |
|                                          |                                                                                                                                                         | c. <b>henceforth, strictly comply with the rules and regulations on the grant, utilization and liquidation of CAs.</b>                                                                                                                     |                      | Accounting Unit    | 2026                      | 2027                  | Fully Implemented        | Some accountable officers still fail to liquidate their cash advances within the prescribed period despite the Accounting Unit's monitoring and follow-up efforts.                     | The Accounting Unit continues to implement the prescribed guidelines on the grant, utilization, and liquidation of cash advances. Supporting documents are attached as <b>Annex U</b> .                                                                                                                                                                     |

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| Reference                         | Audit Observations                                                                                                                                                                                                                                                                                                                                                                                                                                      | Audit Recommendation                                                                                                                                                                                                                                                                                                 | Agency Action Plan |                                    |                       |      | Status of Implementation | Reason for Partial / Delay / Non-Implementation, if applicable                                                                         | Action Taken / Action to be Taken                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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| AAR CY 2022                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                      |                    |                                    |                       |      |                          |                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| AAR Par. No. 10<br>Pages 86 to 88 | Deficiencies and lapses in the IGP operations of the PhilSCA-MBEAB Campus were still observed, despite the audit observations and recommendations, resulting in poor program implementation and a lack of program reporting and control mechanisms and exposing the College to the risk of not being indemnified or compensated in case of loss through theft or misappropriation.                                                                      | <b>We recommended and Management agreed to formulate comprehensive internal control policies and operating procedures that will govern the operational, accounting, reporting, and utilization guidelines to be followed by the personnel assigned to manage and operate the College's IGPs across all campuses.</b> |                    | Management Auxiliary Services Unit | 2026                  | 2027 | Partially Implemented    | The policy and prescribed forms remain in draft and have not yet been approved, issued, and implemented across all campuses.           | Action taken: Management formulated a draft Memorandum Circular on internal-control policies and operating procedures for IGPs, together with NAAP AUX Form No. 4, Series No. 15-01-V and the prescribed short-term facility-use agreement. Remaining action: complete legal and administrative review, secure approval and issuance, orient all campuses, implement the prescribed controls, and submit initial monitoring and collection reports.<br><b>See Annex V.</b>               |
| AAR CY 2019                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                      |                    |                                    |                       |      |                          |                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| AAR Par. No. 11                   | Expenses amounting to P71,739.00 incurred in the conduct of "Salamat – Mabuhay Program" were deemed unnecessary and irregular, as contemplated in COA Circular 2012-003 dated October 29, 2012, and was not in consonance with the Civil Service Commission (CSC) Memorandum Circular No.7, series of 1998, which cash doubts on the propriety and validity of the said disbursements.                                                                  | <b>We recommended that Management hold the disbursing officer and the approving officials accountable for the unauthorized, irregular, and extravagant disbursements of government funds by having them and the payees refund the corresponding amounts paid and received, respectively.</b>                         |                    | HRMSD Management                   | 2026                  | 2027 | Partially Implemented    | The proposed justification has not yet resulted in COA acceptance, refund, or lawful resolution of the questioned amount.              | Management acknowledges that the recommendation remains unimplemented. The justification has been submitted with complete supporting records for COA evaluation; however, a justification alone does not settle the audit issue. Without prejudice to lawful appeal or review remedies, Management will enforce refund or recovery against the persons finally determined liable if the amount is disallowed or otherwise becomes due under applicable COA rules.<br><b>See Annex W.</b> |
| AAR CY 2017                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                      |                    |                                    |                       |      |                          |                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| AAR Pages 53 to 58                | Other Receivables amounting to P926,307.75 which remained dormant for more than nine to 17 years are of the account balance unreliable, contrary to International Public Sector Accounting Standards (IPSAS) No. 1 on the fair presentation of the FSs. Moreover, only a minimal amount of P4,000.00 out of P883,000.00 Loans Receivables – others was collected and the remaining amount of P879,000.00 remained outstanding for more than nine years. | <b>We recommended and the management agreed to exhaust all efforts to recover the cash shortage from former employees who incurred cash shortage.</b>                                                                                                                                                                |                    | Accounting Unit                    | 2026                  | 2027 | Partially Implemented    | Some receivables remain outstanding because certain accountable officers cannot be located or their current addresses are unavailable. | The Accounting Unit continues its efforts to recover outstanding receivables through demand letters and follow-up actions. Some employees have made partial payments toward their outstanding obligations. Supporting documents are attached as <b>Annex X.</b>                                                                                                                                                                                                                          |
| AAR CY 2011 and 2007              |                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                      |                    |                                    |                       |      |                          |                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

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|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                    | Action Plan        | Person / Dept Responsible | Target Implementation |      |                          |                                                                                                                                |                                                                                                                                                                                                                                                                                                                                         |
|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                    |                    |                           | From                  | To   |                          |                                                                                                                                |                                                                                                                                                                                                                                                                                                                                         |
| AAR<br>CY 2011<br><br>AAR<br>CY 2007 | The accountabilities/ cash shortages of the two former Cashiers of PhilSCA were not properly booked up resulting in the overstatement of Cash – Collection Officer account by P107,504.05, misstatement of Prior Year Adjustments Account by P15,477.27 and understatement of the other Receivables Account by P51,981.32 which represents the total accountability, and which has not yet been settled to date, thus may result in loss of government funds. | <b>We recommended that Management initiate immediately the legal remedies to recover the funds from the two former Cashiers and/or from their heirs to protect the interest of the government.</b> |                    | Accounting Unit           | 2026                  | 2027 | Partially Implemented    | The other cashier is deceased and the final demand letter was returned by the post office as the addressee cannot be located . | A Final Demand Letter was sent to the last known address of the deceased cashier and the heirs, but the same was returned by post office as the addressee was not found at the given address. The other former cashier made partial payments in January 2025, July 2024, and May 2024.<br><b>Please see Annex " V " for attachment.</b> |

Prepared by:

**Audit Compliance Committee**

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