



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. XIII, Butuan City

NATIONAL GOVERNMENT SECTOR
Cluster 5 – Education and Employment

DEPARTMENT OF LABOR AND EMPLOYMENT	
CARAGA REGIONAL OFFICE, BUTUAN CITY	
RECORDS SECTION	
DATE:	JUL 02 2013 ^{o/b}
TIME:	4:20 pm
RECEIVED BY:	<i>[Signature]</i>

June 26, 2013

MR. JOEL M. GONZALES
OIC - Regional Director
Department of Labor and Employment-Region XIII
Butuan City

Dear Director Gonzales:

**Management Letter on the Audit of the
Department of Labor and Employment-RO XIII
For the Calendar Year 2012**

1. Pursuant to Section 2, Article IX-D of the Constitution of the Philippines and Section 43 of the Government Auditing Code of the Philippines (PD 1445), we have audited the accounts and operations of the Department of Labor and Employment-Regional Office (DOLE-RO) XIII for the period ended December 31, 2012. The audit was conducted in accordance with applicable legal and regulatory requirements, and generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted by the audit team led by Ms. Sally Y. Tiu-Ladaga, State Auditor III, to (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.
3. The Agency's financial condition, results of operations and cash flows as of December 31, 2012 are shown in the attached audited financial statement (Annexes A-E).
4. Deficiencies observed in the course of the audit were earlier communicated through Audit Observations Memoranda (AOMs) and discussed with concerned DOLE-RO XIII officials and employees in an exit conference conducted on February 13, 2013. Their comments were incorporated in this Management Letter, where appropriate. The significant audit observations and the recommendations shall be incorporated in the Consolidated Annual Audit Report (CAAR) of DOLE for CY 2012.

A. INTRODUCTION

Agency Mandate

5. The DOLE, which started as a small bureau in 1908 and later on became a department on December 8, 1933 with the passage of Act 4121, stands as the national government agency mandated to formulate policies, implement programs and services, and serve as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The organization and functions of the DOLE are in accordance with the provisions of the Executive Order No. 126, as amended, the Labor Code of the Philippines, and other relevant and pertinent legislations.

6. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws and such other laws as specifically assigned to it or to the Secretary of Labor and Employment.

7. Consistent with the national development plan, its vision is the attainment of full decent and productive employment for every Filipino worker. It is mandated to promote gainful employment opportunities, develop human resources, protect workers and promote their welfare and maintain industrial peace. In order to contribute to the attainment of the national employment goals, DOLE adopts the following strategies: (a) Support for Employment Generation, (b) Employment Facilitation, (c) Employment Enhancement, and (d) Employment Preservation.

Personnel Complement

8. DOLE-RO XIII is manned by forty (40) personnel headed by a Regional Director, who oversees the operations of DOLE in the region including the four (4) provincial field offices, namely: Agusan del Norte; Agusan del Sur; Surigao del Norte and Dinagat Island Province (DIP); and Surigao del Sur.

Major Accomplishments

9. In CY 2012, DOLE-RO XIII received ISO 9001:2008 Certification by the International Organization for Standardization. During the year, the RO reported the following accomplishments, among others, which were focused on three Major Final Outputs (MFOs):

Accomplishments
MFO: Employment Facilitation and Manpower Development Services
<ul style="list-style-type: none">• Job Assistance Program - 81,130 job applicants were placed thru Public Employment Service Office (PESO) or a 113.47% accomplishment, a 9.17% increase in last year's 74,312 placed job applicants; twenty eight (28) job fairs were conducted registering 9,706 applicants, with 946 applicants were placed; 7,802 students were provided with employment under the Special Program for the Employment of Students (SPES); and 2,690 placements through service contractors/sub-contractors.• Labor Market Information Program - 208 establishments were registered and accredited in the Philjobnet website, which posted 20,481 job vacancies; and twelve (12) new Local

Government Units (LGUs) were enrolled in the Skills Registry System (SRS) project.

- Capability-Building Program for Partners – DOLE Caraga hosted Basic Employment Services Training (BEST) to 84 active PESO Managers.
- Employment Regulation Program - 50 Alien Employment Permits (AEP) were issued, twelve Job/Service Contractors/Sub-contractors were registered, and one Private Recruitment Placement Agency (PRPA) license was issued.

MFO: Employment Relations, Standards Enforcement and Protection Services

- Dispute Prevention and Settlement Program – 100% disposition rate for mediation-arbitration cases and SPEED case; 280 labor standard cases amounting to ₱11,223,783.00 were disposed; and 219 cases for Single Entry Approach (SEnA) were disposed with a total settlement of ₱2,272,091.00, which benefitted 400 workers.
- Workers Organization Program – 350 organizations were registered in 2012 with 10,900 members, two Collective Bargaining Agreements (CBA) were registered/renewed and 75 workers with dependents were provided with training and scholarship assistance services.
- Continuing Labor and Employment Education Program (CLEEP) – through innovations in handling labor education activities, DOLE Caraga was able to conduct 181 CLEEP seminars and orientations;
- Three Plus (3+) Program/Tripartism/Social Accord - DOLE Caraga spearheaded the creation of five Tripartite Industrial Peace Councils (TIPC), namely: Plantation, Wood-based, Eco-Tourism, Maritime and Mining, to immediately respond to the issues and concerns unique to their clusters. DOLE Caraga also facilitated the creation of Maritime Industrial Tripartite Council (MITC) to advocate the economic and safety enhancement of the seafarers and their employers; and
- Labor Standards Enforcement Program - 1,384 establishments have been inspected, which consists of 1,057 establishments under regular inspection, 28 complaint inspection, 34 technical assistance visit (TAV) follow-ups, and 265 establishments inspected for Technical Safety Inspection.

MFO: Employment Enhancement, Empowerment and Welfare Services

- Social Protection Program for Workers in the Informal Economy (WIE) – facilitated the enrollment of 22,353 WIE to social security scheme;
- Family Welfare Program (FWP) – 59 establishments were served for the FWP services/activities, which benefitted 8,502 workers;
- Child Labor Prevention and Elimination Program – 107 were prevented from child labor;
- Anti-illegal Recruitment/Anti-Trafficking in Persons Program (local) – 80 advocacies were conducted, with 9,605 IEC materials disseminated and 10,789 participants/clients reached;
- Capacity-Building Program for Livelihood Enhancement – 2,484 informal sector workers were provided with assistance/services to enhance their self-employment undertakings, 21 facilities/projects were established, 3 livelihood projects under Youth Entrepreneurship Support (YES), and a total of ₱3,142,636.00 were released for resource assistance;
- Emergency Employment - 20 workers were provided with emergency employment under one LGU-beneficiary; and
- OSH Accreditation Program – 184 safety officers/OSH practitioners were accredited and 16 BODH/CST and other OSH Trainings were conducted, with 532 participants.

Financial Profile

10. The RO's financial condition, results of operations, and sources and uses of funds for CY 2012 with comparative figures for CY 2011 are presented below:

Particulars	CY 2012	CY 2011	Increase (Decrease)
A. Financial Condition			
Assets	₱ 55,526,920.52	₱46,535,599.78	₱8,991,320.74
Liabilities	9,933,942.61	12,407,936.45	(2,473,993.84)
Government Equity	45,592,977.91	34,127,663.33	11,465,314.58
B. Results of Operations			
Total Income	60,627,133.82	53,213,160.28	7,413,973.54
Total Expenses	49,651,626.30	47,275,436.76	2,376,189.54
Excess of Income over Expenses	10,975,507.52	5,937,723.52	5,037,784.00
C. Sources and Application of Funds			
Sources of Funds:			
Continuing Appropriation:			
MOOE	1,148,076.32	9,922,731.93	(8,774,655.61)
CO	6,580.00	2,949,641.00	(2,943,061.00)
Total	1,154,656.32	12,872,372.93	(11,717,716.61)
Allotment:			
Personal Services	22,869,529.83	18,641,329.00	4,228,200.83
MOOE	33,642,440.00	25,092,501.00	8,549,939.00
CO	984,000.00	304,000.00	680,000.00
Total	57,495,969.83	44,037,830.00	13,458,139.83
Application of Funds:			
Personal Services	22,855,884.38	20,000,344.42	2,855,539.96
MOOE	32,946,862.04	33,521,781.18	(574,919.14)
CO	984,000.00	3,246,523.06	(2,262,523.06)
Total	56,786,746.42	56,768,648.66	18,097.76

B. SUMMARY OF RECOMMENDATIONS

11. For the significant deficiencies observed in the course of the audit, we have recommended that Management:

- a. Require the Collecting Officer to strictly adhere to existing rules and regulations on the deposit/remittance of collections; and ensure that collections of ₱500 and above are deposited or remitted intact to the Bureau of the Treasury or the authorized government depository bank within the day.
- b. Strictly observe the provisions of COA Accounting Circular No. 2006-001; ensure that proper accounts are used in recording the agency's financial transactions; and require the Accountant to prepare correcting entries by debiting Advances to Officers and Employees and crediting Payroll Fund in the amount of ₱1,176,705.00.

- c. Require the Accountant to effect adjustment in the books of accounts for the unrecorded disallowances with issued NFDs amounting to ₱849,982.00, and henceforth, strictly observe the provisions of Section 53 of the MNGAS Volume I and Section 22 of the 2009 RRSA on the recording of disallowances; ensure that all disallowances with issued NFDs are recorded in the agency's books of accounts.
- d. Impose stricter controls in the grant and liquidation of cash advances to ensure compliance with the provisions of COA Circular No. 97-002; and issue an order of payment for all long outstanding advances, and failure to liquidate the said cash advances shall be a valid ground for the withholding of his/her salary and other sanctions, as warranted.
- e. Request from the DBM for the release of the reverted amount which will in turn be paid to the Trust Fund; require the Accountant to revert the closed *Accounts Payable* (401) to recognize the liability to the Trust Fund in the books of accounts; ensure proper monitoring of cash balances for effective and efficient utilization of funds; and strictly adhere to existing laws and regulations in the management and utilization of government resources.
- f. Ensure the timely submission of the required DTRs as proof for the service paid pursuant to the provisions of Section 4(6) of PD 1445 and Section 191, Chapter 1, Title 5 of GAAM, Volume II.
- g. Institute legal actions against the erring NGOs/POs for violation of MOA provisions; send demand letters to the heads of the LGUs concerned for the immediate liquidation of long overdue grants, and in case of failure to do so, institute legal remedies in accordance with the MOA.
- h. Ensure that claims for traveling expenses are duly supported with proof of expenses, such as bills or invoices, as required under Section 5 of EO 298.
- i. Direct the Accountant to submit the required financial reports, and the Accountant and the Cashier to submit the lacking disbursement vouchers and supporting documents to COA; henceforth, strictly observe the provisions of Section 81 of MNGAS, Volume I and Sections 100 and 122 of PD 1445.
- j. Ensure that student beneficiaries are paid their 40 percent salaries within the 11 days prescribed period. Require the employers, PESO and DOLE-RO XIII to perform their duties and responsibilities within the period provided in the IRR of RA 9547 for the payment of the 40 percent share of DOLE.
- k. Require the TSSD and DOLE-RO XIII Field Offices to closely monitor the PESOs to ensure that the list of checks were actually posted and student beneficiaries were informed of their claims, such as posting their names in the DOLE-RO XIII website.
- l. Instruct the Accounting Unit to exclude from the payrolls under processing those students with inadequate documentation/deficiencies while the necessary

requirements are being completed in order not to deprive the complying students the timely payment of their 40 percent salaries.

- m. Observe cost efficiency in the conduct of training and ensure that expenses are incurred within the allocated budget.
- n. Ensure that unnecessary expenses are prevented to safeguard scarce government funds.

C. DETAILED OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL AND COMPLIANCE

Cash – Collecting Officers

Collections amounting to ₱3,049,212.40 as of December 31, 2012 were not remitted/deposited to the Bureau of the Treasury, contrary to the provisions of COA-MOF Joint Circular No. 1-81 dated January 1, 1981 and Section 21 of the Manual on New Government Accounting System, Volume I, thus exposing government funds to possible loss or misuse.

12. COA-MOF Joint Circular No. 1-81 dated January 1, 1981 requires Collecting Officers to deposit their national collections intact to the Bureau of the Treasury (BTr) or to any authorized government depository bank as prescribed below:

Distance (Office to BTr/ Depository Bank)	Travel Time (To and From Office to BTr/ Depository Bank- Ordinary Transp.)	Accumulated Collections	Frequency of Deposits
Less than 15 kms.	Less than 1 day	<ul style="list-style-type: none"> • ₱500 or more • Less than ₱500 	<ul style="list-style-type: none"> • Daily • Weekly or as soon as collections reach ₱500
15 – 30 kms.	Less than 1 day	<ul style="list-style-type: none"> • ₱2,000 or more • Less than ₱2,000 	<ul style="list-style-type: none"> • Daily • Weekly or as soon as collections reach ₱2,000
	A day or more	<ul style="list-style-type: none"> • ₱2,000 or more • Less than ₱2,000 	<ul style="list-style-type: none"> • Weekly • Twice a month or as soon as collections reach ₱2,000
More than 30 kms.	Less than 1 day	<ul style="list-style-type: none"> • ₱2,000 or more • Less than ₱2,000 	<ul style="list-style-type: none"> • Daily • Weekly or as soon as collections reach ₱2,000
	A day or more	<ul style="list-style-type: none"> • More than ₱5,000 • ₱2,000 – ₱5,000 • Less than ₱2,000 	<ul style="list-style-type: none"> • Twice a week • Weekly • Monthly or as soon as collections reach ₱2,000

13. Moreover, Section 21 of the Manual on New Government Accounting System (MNGAS) Volume I for National Government Agencies provides that:

“All Collecting Officers shall deposit intact all their collections, as well as collections turned over to them by sub-collectors/tellers, with AGDB daily or not later than the next banking day. xxx” (underscoring provided)

14. The distance from DOLE-RO XIII to any depository bank ranges from one kilometer to five kilometers. As such, deposits or remittances of collections should be done daily or the next banking day.

15. As of December 31, 2012, the balance of Cash-Collecting Officers account amounted to ₱3,049,212.40. Analysis, however, showed that this amount represents collections on December 28, 2012 which was not deposited on the same day. As the collections were deposited on January 3 and 10, 2013, the delay ranged from six to ten days, as demonstrated below:

No.	Nature of Collection	Payment Mode	Amount	Date Collected	Date Deposited	Time Lag
1	RWA Registration Fee	Cash	₱ 70.00	28-Dec-12	3-Jan-13	6
2	Dormitory Accommodation	Cash	200.00	28-Dec-12	3-Jan-13	6
3	Refund of Cash Advance	Cash	549.00	28-Dec-12	3-Jan-13	6
4	Refund of Cash Advance	Cash	1,244.00	28-Dec-12	3-Jan-13	6
5	AEP Card Replacement	Cash	750.00	28-Dec-12	3-Jan-13	6
6	AEP Card Replacement	Cash	750.00	28-Dec-12	3-Jan-13	6
7	Refund of Cash Advance	Cash	6,280.00	28-Dec-12	3-Jan-13	6
8	Transfer of Funds for CY 2012 PEI	Check	210,000.00	28-Dec-12	3-Jan-13	6
9	Transfer of Funds for GIP	Check	692,730.00	28-Dec-12	3-Jan-13	6
10	Transfer of Funds for GIP	Check	640,485.00	28-Dec-12	3-Jan-13	6
11	Transfer of Funds for NRCO Program	Check	110,000.00	28-Dec-12	3-Jan-13	6
12	Transfer of Funds for NRCO Program	Check	150,000.00	28-Dec-12	3-Jan-13	6
13	Transfer of Funds for SPES Program	Check	636,434.40	28-Dec-12	3-Jan-13	6
14	Transfer of Funds for SPES Program	Check	584,720.00	28-Dec-12	3-Jan-13	6
15	Financial Assistance – Batang Kalabaw	Cash	15,000.00	28-Dec-12	7-Jan-13	10
TOTAL			₱3,049,212.40			

16. Management is responsible for safeguarding all resources of the government against loss or wastage through improper disposition. The delay in the deposit/ remittance of collections to the BTr or authorized government depository bank exposed the government funds to the risk of loss or misuse.

17. We recommended that Management require the Collecting Officer to strictly adhere to existing rules and regulations on the deposit/remittance of collections. Ensure that collections of ₱500 and above are deposited or remitted intact to the Bureau of Treasury or the authorized government depository bank within the day.

Payroll Fund

Cash advances granted to the Cashier-Designate for the payment of GIP allowances and PESO Year-end Performance Monetary Incentives amounting to ₱1,176,705.00 were recorded as Payroll Fund (Account 106), instead of as Advances to Officers and Employees (Account 148), contrary to COA Accounting Circular No. 2006-001. As a result, Account 148 was understated while Account 106 was overstated, thus affecting the reliability of the financial statements.

18. COA Accounting Circular No. 2006-001 dated November 9, 2006 provides the use of account *Payroll Fund (Account 106)* to record cash advances granted to disbursing officers for the salaries and wages of officers and employees and other personnel benefits. It shall be liquidated within five days from the pay period. On the other hand, account *Advances to Officers and Employees (Account 148)* shall be used for cash advances granted for travel and other special purposes.

19. As of December 31, 2012, the balances of the Payroll Fund and Advances to Officers and Employees accounts amounted to ₱1,176,705.00 and ₱163,332.55, respectively. Verification showed, however, that the reflected balance of the Payroll Fund account pertains to cash advances granted to the Cashier-Designate of DOLE-Caraga for the payment of Government Internship Program (GIP) allowances and Public Services Employment Office (PESO) Managers Year-end Performance Monetary Incentives.

20. Notwithstanding the propriety of the transaction in view of the non-submission of the related disbursement vouchers and supporting documents for review, the subject cash advances should have been recorded as Advances to Officers and Employees, instead of as Payroll Fund considering that the nature of the cash advances were not intended for the salaries and wages of officers and employees or other benefits of DOLE employees.

21. The erroneous recording of the transactions affected the reliability of the financial statements as this resulted in the understatement of the balance of Cash Advances to Officers and Employees by ₱1,176,705.00 and overstatement of the balance of Payroll Fund by the same amount in the financial statements as of December 31, 2012.

22. Management is responsible for ensuring the reliability of financial statements through compliance with the generally accepted stated accounting principles, which require adherence to the prescribed chart of accounts. Likewise, it is Management's responsibility to ensure that financial data reported were derived from accounts that are maintained in all material respects on a consistent basis from period to period and were carefully designed to present information which are needed and useful to the users of the financial statements.

23. **We recommended that Management strictly observe the provisions of COA Accounting Circular No. 2006-001 dated November 9, 2006. Ensure that proper accounts are used in recording the agency's financial transactions. Require the Accountant to prepare correcting entries by debiting Advances to Officers and Employees and crediting Payroll Fund in the amount of ₱1,176,705.00.**

Receivables – Disallowances and Charges

Disallowances amounting to **₱849,982.00** which became final and executory in CY 2012 were not recorded as receivables in the agency's books as required under Section 53, Manual on the New Government Accounting System, Volume 1 and Section 22 of the 2009 Rules and Regulations on the Settlement of Accounts, thus understating the reported balance of account *Receivables, Disallowances and Charges* by the same amount.

24. Section 53 of the Manual on the New Government Accounting System (MNGAS), Volume 1 requires that disallowances shall be taken up in the books of accounts only when they become final and executory. The Accountant shall prepare Journal Entry Voucher (JEV) to take up the *Receivable-Disallowances/Charges* and credit the appropriate expense account for the current year or *Prior Years' Adjustment* account if pertaining to expenses of previous years.

25. Under Section 22 of the 2009 Revised Rules and Regulations on the Settlement of Accounts (RRSA), the decision of the Commission Proper, Adjudication and Settlement Board, Director or Auditor, if not appealed shall become final and executory. The Notice of Final Decision (NFD) shall be issued by the authorized COA official to the agency to notify that a decision has become final and executory, there being no appeal or motion for reconsideration filed within the reglementary period. The NFD shall be the basis of the Accountant to record in the books of accounts the disallowance and/or charge as a receivable.

26. As of December 31, 2012, the reported balance of account *Receivables-Disallowances/Charges* was **₱105,084.37** representing the unsettled balances of three NFDs with disallowances amounting to **₱146,900.00** issued in CY 2011. Review of NFDs issued in CY 2012, however, disclosed that the following nine NFDs with total disallowances of **₱849,982.00** remained unrecorded in the agency's books as of December 31, 2012:

NFD Date	ND		Payee	Nature of Transaction	Amount Disallowed
	Date	No.			
20-Dec-12	21-Dec-10	2010-019-101-(09)	DIDMUCO	Financial assistance	₱ 69,982.00
12-Nov-12	08-Jun-11	2011-001-101-(10)	Romeo N. Cagas	Honoraria	20,000.00
12-Nov-12	08-Jun-11	2011-002-101-(10)	Teresita Bonghanoy	Honoraria	10,000.00
12-Nov-12	08-Jun-11	2011-003-101-(10)	Luth Longos	Honoraria	10,000.00
12-Nov-12	08-Jun-11	2011-004-101-(10)	Genebelle Bal	Honoraria	10,000.00
12-Nov-12	08-Jun-11	2011-005-101-(10)	Heminigildo Daytoc	Honoraria	10,000.00
12-Nov-12	08-Jun-11	2011-006-101-(10)	Reynaldo Mendiola	Honoraria	10,000.00
12-Nov-12	08-Jun-11	2011-007-101-(10)	Naomi Lyn Abellana	Honoraria	10,000.00
22-Nov-12	10-May-12	2012-004-101-(09)	BCCDLADW	Financial assistance	700,000.00
TOTAL					₱849,982.00

27. As the foregoing NFDs were not recorded in the agency's books of accounts, the balance of account *Receivables-Disallowances/Charges* was understated by **₱849,982.00**.

Moreover, non-recording of disallowances with NFDs would render difficulty in monitoring settlement of disallowances.

28. We recommended that Management require the Accountant to:
- a. Effect adjustment in the books of accounts for the unrecorded disallowances with issued NFDs amounting to ₱849,982.00 by debiting *Receivables-Disallowances/Charges* and crediting account *Prior Years' Adjustment*.
 - b. Henceforth, strictly observe the provisions of Section 53 of the MNGAS Volume I and Section 22 of the 2009 RRSA on the recording of disallowances. Ensure that all disallowances with issued NFDs are recorded in the agency's books of accounts.

Advances to Officers and Employees

Advances to officers and employees amounting to ₱163,332.55 remained unliquidated as of December 31, 2012 despite the lapse of the prescribed period for liquidation, contrary to Section 5.1 of COA Circular 97-002 dated February 10, 1997. As such, expenses were not recognized as of year-end pursuant to Section 73 of MNGAS, Volume 1.

29. Paragraph 5.1 of COA Circular No. 97-002 provides that *"The AO shall liquidate his cash advance as follows:*

- 5.1.1 *Salaries, Wages, etc. - within five (5) days after each fifteen (15) day/end of the month pay period.*
- 5.1.2 *Petty Operating Expenses and Field Operating Expenses - within twenty (20) days after the end of the year; subject to replenishment as frequently as necessary during the year.*
- 5.1.3 *Official Travel - within sixty (60) days after return to the Philippines in the case of foreign travel or within thirty (30) days after return to his permanent official station in the case of local travel, as provided for in EO 248 and COA Circular No. 96-004.*
xxx
- 5.1.7 *When a cash advance is no longer needed or has not been used for a period of two (2) months, it must be returned to or refunded immediately to the collecting officer.*

Failure of the AO to liquidate his cash advance within the prescribed period shall constitute a valid cause for the withholding of his salary and the instruction of other sanctions as provided for under paragraphs 9.2 and 9.3 hereof."

