



Republic of the Philippines  
**COMMISSION ON AUDIT**  
NGS, Cluster 5 – Education and Employment  
Regional Office No. XIII  
Butuan City

**CONFIDENTIAL**

Ref. No.: ML- DOLE-RO-2016-01  
Date: February 26, 2016

**ATTY. JOHNSON G. CAÑETE, CESO III**  
Regional Director  
Department of Labor and Employment  
Region XIII, Butuan City

**Dear Director Cañete:**

**Management Letter on the Audit of the Department of Labor  
and Employment, Regional Office No. XIII, Butuan City  
for the period January 1 to December 31, 2015**

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 (DOLE), Regional Office XIII for the period ended December 31, 2015. 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 to (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) recommended agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.
3. The Agency's statements financial position and financial performance for calendar year 2015 are shown in the attached audited financial statements labeled as Annexes B-G.
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 26, 2016. 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 2015.

**A. INTRODUCTION**

**Agency Mandate**

5. The Department of Labor and Employment (DOLE) became a department on December 8, 1933 with the passage of Act 4121. A 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 provided under Executive Order No. 126, as amended by 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, the Department of Labor and Employment’s vision is to attain a full decent and productive employment for every Filipino worker. DOLE is also mandated to promote gainful employment opportunities, develop human resources, protect workers and promote their welfare and maintain industrial peace.

**Personnel Complement**

8. As of December 31, 2015, the DOLE, RO XIII was manned by 38 personnel headed by a Regional Director, who oversees the operations of DOLE in the Region including the four 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. During the year, the DOLE XIII reported the following accomplishments, among others, which were focused on three Major Final Outputs (MFOs):

**By Organizational Outcome:**

ORGANIZATIONAL OUTCOME			
<i>1. Employability of Workers and Competitiveness of Enterprise Enhanced</i>			
<b>PERFORMANCE INDICATORS (PIs)</b>	<b>ACTUAL ACCOMPLISHMENTS (CY 2015)</b>	<b>2015 TARGETS (CY 2015)</b>	<b>(SHORT)/ OVER (CY 2015)</b>
<ul style="list-style-type: none"> <li>• <i>Percentage of Special Program for the Employment of Students (SPES) beneficiaries graduated from Tech-Voc or college</i></li> </ul>	2%	<i>2-3% increase from the baseline</i>	0%
<ul style="list-style-type: none"> <li>• <i>Percentage of jobseekers placed for employment</i></li> </ul>	91%	<i>80% of jobseekers placed</i>	11%

<b>2. Cooperation between Labor and Employers Sustained</b>			
• <i>Compliance rate with labor laws of establishments that employed 10 or more</i>	73%	100%	(27%)
• <i>Increase in number of Industry Tripartite Councils (ITCs) established in industries reached by labor Education</i>	100%	9.5% increase from baseline figure (231)	90.5%
• <i>Percentage increase in Industrial Tripartite Councils adopting Voluntary Code of Good Practices (VCGPs)</i>	27%	16% increase (139 ITCs adopting VCGPs)	11%
<b>3. Social Protection for Vulnerable Workers Strengthened</b>			
• <i>Percentage of beneficiaries provided livelihood formation assistance with continued employment and income after six months of availment</i>	30%	10%	20%

**By Major Final Output (MFO):**

<b>MFO</b>	<b>KEY PERFORMANCE INDICATORS (PIs)</b>	<b>ACTUAL ACCOMPLISHMENT (CY 2015)</b>	<b>2015 TARGETS</b>	<b>(SHORT)/ OVER (CY 2015)</b>
MFO 2:	EMPLOYMENT FACILITATION AND CAPACITY BUILDING SERVICES			
	▪ No. of qualified persons referred for placement	151,532	98,069	53,463
	▪ No. of individual reached through Labor Market Information (LMI)	124,434	61,446	62,988
	▪ Percentage of individual who rate the services provided as satisfactory or better	78.7%	70%	8.7%
	▪ Percentage of individuals provided services within the prescribed process cycle time (PCT)	100%	70%	30%
	▪ No. of beneficiaries provided of livelihood assistance (P6,700 on the average capital cost/project)	2,971	2,753	218
	▪ No. of beneficiaries under Special Program for the Employment of Student (SPES)	10,683	10,683	0

<b>MFO</b>	<b>KEY PERFORMANCE INDICATORS (PIs)</b>	<b>ACTUAL ACCOMPLISHMENT (CY 2015)</b>	<b>2015 TARGETS</b>	<b>(SHORT)/ OVER (CY 2015)</b>
	<ul style="list-style-type: none"> <li>▪ Percentage increase in livelihood income due to improved production for the first year of implementation</li> <li>▪ Percentage of beneficiaries who rate the services provided as satisfactory or better</li> <li>▪ Percentage of workers provided services within the prescribed PCT</li> </ul>	10%	10%	0%
		80%	70%	10%
		100%	100%	0%
<b>MFO 3:</b>	<b>LABOR FORCE WELFARE SERVICES</b>			
	<ul style="list-style-type: none"> <li>▪ No. of workers served</li> <li>▪ Percentage of workers who rate the services provided as satisfactory or better</li> <li>▪ Percentage of affected workers provided services within the prescribed PCT</li> </ul>	2,340	2,069	271
		98%	70%	22%
		100%	100%	0%
<b>MFO 4:</b>	<b>EMPLOYMENT REGULATION SERVICES</b>			
	<ul style="list-style-type: none"> <li>▪ No. of establishments inspected</li> <li>▪ No. of workers covered as a result of inspections conducted</li> <li>▪ Percentage of establishments with deficiencies given appropriate assistance leading to compliance</li> <li>▪ Percentage of appealed labor disputes disposed (SpeEd)</li> <li>▪ Percentage of application for permits/licenses/registrations processed within prescribed PCT</li> <li>▪ Percentage of complaints and request for assistance settled within 30 days from filing (Single Entry Approach)</li> </ul>	1,334	1,172	162
		12,182	12,000	182
		100%	100%	0%
		100%	100%	0%
		100%	100%	0%
		94.70%	75%	19.7%

## Financial Profile

10. The DOLE Regional Office XIII comparative financial condition and sources and allocation of fund, as well as the sources and utilization of fund and the notice of cash allocation for CY 2015 are presented below:

### a. Financial Condition

Account	2015	2014	Increase (Decrease)	
			Amount	%
Asset	P 116,783,191.18	P 129,006,993.3	P 12,223,802.12	9%
Liabilities	20,522,078.79	14,960,540.08	(5,561,538.71)	37%
Net Assets/ Equity	96,261,112.39	114,046,453.22	17,785,340.83	16%

### b. Sources and Application of Funds

Account	2015	2014	Increase (Decrease)	
			Amount	%
Revenue	P 1,349,280.12	P 926,322.57	P (422,957.55)	(46%)
Less: Current Operating Expenses	90,334,334.39	79,897,049.97	(10,437,284.42)	(13%)
Surplus/(Deficit) from current operations	(88,985,054.27)	(78,970,727.40)	10,014,326.87	(13%)
Net Financial Assistance/Subsidy	92,913,976.21	139,139,031.87	46,225,055.66	33%
Surplus/(Deficit) for the period	P 3,928,921.94	P 60,168,304.47	P 56,239,382.53	93%

### c. Sources and Utilization of Funds

Source of Funds	Amount in Pesos			
	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
<b>A. Agency Specific Budget</b>				
Personal Services	27,339,000.00	27,339,000.00	18,873,535.79	8,465,464.21
Maintenance and Other Operating Expenses	65,501,000.00	65,501,000.00	60,479,835.67	5,021,164.33
Capital Outlay				
	92,840,000.00	92,840,000.00	79,353,371.46	13,486,628.54
<b>B. Special Purpose Funds</b>				
Personal Services	60,526.00	60,526.00	60,525.09	0.91
Maintenance and Other Operating Expenses	150,000.00	150,000.00	39,344.00	110,656.00

Source of Funds	Amount in Pesos			
	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
C. Automatic Appropriations				
RLIP	2,591,000.00	2,591,000.00	1,771,973.64	819,026.36

**d. Notice of Cash Allocation**

Particulars	Amount Received	Disbursements	Unutilized Balance	Reverted to National Treasury
Personal Services	P 31,606,219.00	P 20,804,855.49	P 10,801,363.51	P 10,003,491.98
MOOE	81,077,826.67	68,905,555.86	12,172,270.81	12,943,441.13
Capital Outlay				
<b>Total</b>	<b>P 112,684,045.67</b>	<b>P 89,710,411.35</b>	<b>P 22,973,634.32</b>	<b>P22,946,933.11</b>

**B. SUMMARY OF RECOMMENDATIONS**

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

- a. Revisit Agency's operating policies and strategies to ensure achievement of the strategic objectives that the Department of Labor and Employment (DOLE) envisioned on achieving based on the Agency's commitment laid down in the General Appropriations Act of CY 2015;
- b. Institute measures to collect the amount of loan granted to various beneficiary-associations for livelihood programs in the past, and to take the necessary legal actions to enforce collections of the long outstanding loans receivable;
- c. Direct Focal Persons of the Kabuhayan Program in the Regional Office and the four Field Offices to comply with the required monitoring, reporting and evaluation standards for the program implementation, as prescribed under DOLE Department Order No. 137-14, series of 2014, and as stated in the provisions of MOA, thus, providing Management with adequate and reliable information as basis for making appropriate decisions, and as a tool in taking appropriate action on identified problems to ensure achievement of better results in the long run;
- d. Likewise, problem on heavy workloads of program focal persons shall be addressed to effectively to ensure that monitoring and reporting activities during and after the implementation of the projects can be carried out to attain project's sustainability;
- e. Direct all personnel concern in the Regional Office to process and pay the wages of SPES student-beneficiaries within the period prescribed, which is within 38 calendar days after the employment duration. If necessary, augment the number of personnel doing the processing tasks so that payment of wages will not be delayed;

- f. Moreover, order the Head of the DOLE Provincial Offices to ensure that all SPES vouchers forwarded to the Regional Office for payments must be supported with complete and proper documents to facilitate immediate processing of the claims;
- g. Direct the NRCO Regional Coordinator to submit accomplishments report for CY 2015 and related documents for performance validation so that the achievement of the program objectives can be determined;
- h. Likewise, ensure efficient utilization of funds for all DOLE programs and effectively manage the program implementation so that the policy objectives, as envisioned by DOLE, shall be achieved in an efficient and effective manner;
- i. Direct the Special Collecting officer of Surigao del Norte Field Office to immediately submit their collections for the period August to December 2015, for proper recording in the books of accounts;
- j. Impose the necessary administrative sanction to Special Collecting Officers who failed to report their monthly collections and deposits with the Bureau of the Treasury after the end of each month so the transactions can be recorded in the books of accounts. Likewise, direct the Regional Accountant to record collections at the time the transactions take place;
- k. Direct the Accountant and the Cashier to reconcile their records, and immediately take-up the adjustments of all reconciling items in the books of accounts through the preparation of a journal entry voucher (JEV) and in the cashbook, respectively, to reconcile the ledger and cashbook balances;
- l. Likewise, direct the Accountant to record immediately the cancelled and stale checks, reversions of unused NCA and Notice of Transfer of Allocation (NTA) regularly or as the transactions takes place;
- m. Direct the Accountant to close the depository account with Philippine Veterans Bank and remit the cash balance to the Bureau of the Treasury in accordance with Section 3 of GAA 2015 and JC No. 4-201;
- n. Provide for the Allowance for Impairment on Loans Receivable account recorded in the books of account, which becomes dormant for so many years, to present the fair valuation of the accounts in the financial statements;
- o. For the meantime, direct the Supply Officer together with the Inventory Committee to conduct actual physical counts of all Inventory items on hand as of December 31, 2015 to ascertain its physical existence and condition. Obsolete items shall be disposed-off and dropped from the books following the procedures in the NGAS Manual;
- p. Further, direct the Supply Officer to prepare Report on the Physical Counts of Inventories (RPCI) as December 31, 2015 based on the actual counts and maintain

updated stock cards using the actual counts as the beginning balances. Any discrepancies shall be reconciled and unaccounted items shall be considered an accountability of the Supply Officer;

- q. Further, reconciliation of the balance per supplies ledgers cards maintained by the Accounting Unit and the balances per stock cards maintained by the Supply Unit shall be done regularly to ensure correctness of the accounts balances in the books;
- r. Remind the Accountant to exercise appropriate professional judgment before recording the transactions in the books of accounts and ensure that all journal entries whether financial or non-cash shall be supported with complete and valid documents;
- s. Moreover, direct him to revert the entries made to dropped the inventories totalling Php5,120,295.60 without the corresponding Requisitions and Issue Slips to restore the accountability of the Supply Officer;
- t. On the other hand, direct the Supply Officer to prepare and submit to the Accountant the reports of supplies and materials issued (RSMI) for the CY 2014 and CY 2015 issuances of office supplies as basis in recognizing the expense accounts in the books;
- u. Likewise, ensure that the Supply Officer prepares reports of supplies and materials issued regularly and submit said RSMI to the Accounting Unit for recording in the books to update the supplies inventory accounts balances;
- v. Strictly adhere to the requirement of the law as regards the procurement of common-use supplies and consumables, and ensure that future procurement shall be made from the DBM Procurement Service in compliance with RA 9184, and its implementing rules and regulations;
- w. Likewise, direct the Accountant-Designate to attach Certificate of non-availability of stock from the PS-DBM as proof that there was no available stock as basis for procuring supplies from outside suppliers;
- x. For the meantime, direct the Regional Inventory Committee to conduct actual physical counts of all existing PPEs as of December 31, 2015 to ascertain its physical existence and condition. Unserviceable items shall be disposed-off and dropped from the books following the procedures in the NGAS Manual;
- y. Likewise, direct the Supply Officer to prepare Report on the Physical Counts of PPE (RPCPPE) as December 31, 2015 based on the actual counts and maintain updated property cards (PC) using the actual counts as the beginning balances. Lost items shall be looked into and any unaccounted items shall be considered an accountability of the Accountable Officers;



- z. Further, reconciliation of the balance per property ledgers cards maintained by the Accounting Unit and the balances per property cards maintained by the Supply Unit shall be done regularly to ensure correctness of the accounts balances per books;
- aa. Direct the HRMO-Designate and the Accountant to ensure that Application for Leave supporting the payment of monetization of earned leave credits shall be completely signed and approved by proper official in accordance with COA Circular 2012-001;
- bb. Order the Accountant and the HRMO-Designate to observe the five (5) days required minimum leave credits to be retained after the monetization of earned leave credits in accordance with Sec. 22 of the CSC Rules on Leave;
- cc. Likewise, ensure that employees leave cards are updated prior to the approval of monetization of leave credits to avoid committing the same errors;
- dd. Effect adjustment/correction of the overstated leave credit balances of three DOLE employees due to non-deduction of the number of days monetized for six employees as well as the erroneous computation of accumulated leave credits for three employees; and ensure correct posting of the used leave credits in the leave cards to avoid loss to the government;
- ee. Direct the Accountant and the NRCO Regional Coordinator to immediately submit the required supporting documents, such as, the Accomplishments Reports pertaining to all livelihood skills training conducted by DOLE Caraga as well as the attendance sheets and distribution lists with the signature of the program beneficiaries;
- ff. Direct the Accountant and the Regional and Field Office TUPAD Program Focal Person to immediately submit the lacking supporting documents as required in Section 18 of Department Order No. 137-14 series of 2014;
- gg. Likewise, order the Accountant to ensure that all disbursement vouchers for the grant of cash advances under the TUPAD program shall be supported with complete supporting documents. Moreover, report of disbursements on the liquidation of cash advances under TUPAD program shall be supported with complete and proper documents;
- hh. Direct the Accountant to submit immediately the journal entry vouchers for all non-cash transactions recorded in the books together with its supporting documents to the Auditor concerned for examination. Failure to comply will be valid ground for the institution of appropriate administrative sanctions as provided for under Section 122 of PD 1445.
- ii. Likewise, strict adherence to Section 100 and 122 of PD 1445 on the submission of the required monthly reports not later than 5<sup>th</sup> day of the ensuing month to the Office of the Auditor is hereby enjoined;

- jj. Direct the Accountant to submit financial reports and transactions within the period prescribed by Sections 100 and 107 of P.D. 1445 to facilitate timely review of transactions;
- kk. Henceforth, enforce appropriate administrative sanction to the Accountant and the Cashier for failure to render accounts of the disbursements' made totaling Php3,806,208.13, by withholding their salary until such time that they have fully complied the required submission of the DVs and its supporting documents, and to file appropriate administrative charge, if warranted, for the continuous defiance to the provisions of law and pertinent regulations;
- ll. Direct the Accountant to submit the financial statements in a timely manner to facilitate immediate review and the reconciliation of the account balances.
- mm. Further, failure on the part of the Accountant and the Cashier to submit the financial reports and other required documents, as mentioned above, shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements of the Commission in accordance with paragraph (2) of Section 122 of P.D. 1445;
- nn. Direct the Budget Officer Designate to maintain appropriate registries of allotments, obligations and disbursements to ensure the accuracy of the amounts/figures reported in the FARs 1 and FARs 1-A;
- oo. Likewise, the Budget Officer-Designate shall ensure that the Registries should be the basis in preparing the quarterly Financial Accountability Reports and that the amounts/figures per FARs should tally with the amounts/figures in the prescribed Registries;
- pp. Direct the Accountant to maintain the general ledgers to record all their transactions covering the period January 1 to June 30, 2015 and onwards and submit to this office hard copy of the general ledger every June and December of each year;
- qq. Lastly, direct the Accountant to maintain subsidiary ledgers to record the collections and deposits as well as the grants and liquidations of cash advances of the five (5) Accountable officers in the Regional Office and in its four field offices.

## C. DETAILED OBSERVATIONS AND RECOMMENDATIONS

### I. VALUE-FOR-MONEY AUDIT

#### Efficiency and Effectiveness

##### *Physical Accomplishments versus Targets*

**Evaluation and comparison of the physical accomplishments achieved with the targets set by the Department of Labor and Employment per performance indicators (PIs) laid down in the CY 2015 GAA showed low physical delivery rates on one PIs under the organizational outcomes while no data are available on Percentage of OFW labor cases successfully settled or resolved and Welfare protection mechanisms for OFWs during all phases of the migration cycle, and including the families left behind strengthened. Thus, the performance targets of DOLE 13, in terms of outcomes and outputs to be delivered, as committed by the Department Secretary in the CY 2015 GAA, were not fully achieved in Region XIII.**

12. Section 2 of the General Provisions of the 2015 General Appropriations Act (GAA) provides for the definition of Performance Informed Budgeting. It states that:

*“The amounts appropriated herein considered the physical accomplishments vis-à-vis organizational outcome of departments, bureaus, offices, and instrumentalities of the National Government, including Constitutional Offices enjoying fiscal autonomy, SUCs and GOCCs. The organizational outcome targets were formulated by agencies to ground the existing Major Final Outputs (MFO) and their corresponding Performance Indicators under the Organizational Performance Indicator Framework (OPIF) to the sectoral and societal goals or targets of the agency. This is the results-based budgeting system being adopted in the whole of government.*

13. Accordingly, the budget allocations for the various programs and projects under this Act are informed by, among others, the actual performance of spending units in delivering their MFOs and their impact on the sectoral and societal objectives and priorities set by the National Government, as shown in their organizational outcomes. This is consistent with the national policy of orienting the budget towards the achievement of explicit objectives and desired budget outcomes, as well as for greater transparency and accountability in public spending.

14. Thus, the FY 2015 GAA includes Performance Information on organizational outcomes and Major Final Outputs (MFOs) of the Department of Labor and Employment as a whole. The Programs/Activity/Projects (PAPs) are grouped according to the Major Final Outputs (MFOs) that Department / agencies are planning on achieving. *This way the budget amounts for the PAPs are directly linked to the output and outcome it intends to achieve, along with the activities to accomplish with this budgeted amount.*

15. For FY 2015, the Physical Targets of each organizational outcomes and Major Final Outputs (MFOs) along with the performance indicators of the Department, as presented in the CY 2015 General Appropriations Act, are as follows:

By Organizational Outcome:

<b>ORGANIZATIONAL OUTCOME</b>		
<b><i>1. Employability of Workers and Competitiveness of Enterprise Enhanced</i></b>		
<b>PERFORMANCE INDICATORS (PIs)</b>	<b>BASELINE</b>	<b>2015 TARGETS (CY 2015)</b>
<ul style="list-style-type: none"> <li>Percentage of Special Program for the Employment of Students (SPES) beneficiaries graduated from Tech-Voc or college</li> </ul>	No baseline – to conduct survey on SPES beneficiaries	2-3% increase from the baseline
<ul style="list-style-type: none"> <li>Percentage of jobseekers placed for employment</li> </ul>	77% of jobseekers placed	80% of jobseekers placed
<b><i>2. Cooperation between Labor and Employers Sustained</i></b>		
<b>PERFORMANCE INDICATORS (PIs)</b>	<b>BASELINE</b>	<b>2015 TARGETS (CY 2015)</b>
<ul style="list-style-type: none"> <li>Compliance rate with labor laws of establishments that employed 10 or more</li> </ul>	73%	100%
<ul style="list-style-type: none"> <li>Increase in number of Industry Tripartite Councils (ITCs) established in industries reached by labor Education</li> </ul>	211	9.5% increase from baseline figure (231)
<ul style="list-style-type: none"> <li>Percentage increase in Industrial Tripartite Councils adopting Voluntary Code of Good Practices (VCGPs)</li> </ul>	120 ITCs adopting VCGPs	16% increase (139 ITCs adopting VCGPs)
<b><i>3. Social Protection for Vulnerable Workers Strengthened</i></b>		
<ul style="list-style-type: none"> <li>Percentage of beneficiaries provided livelihood formation assistance with continued employment and income after six months of availment</li> </ul>	No Baseline – to conduct survey on livelihood projects and its beneficiaries	10%
<ul style="list-style-type: none"> <li>Percentage of OFW labor cases successfully settled or resolved</li> </ul>	65,245 cases handle from Jan. – Nov. 2013 of which 56,341 were settled (86.3%)	86% (56,341)
<ul style="list-style-type: none"> <li>Welfare protection mechanisms for OFWs during all phases of the migration cycle, and including the families left behind strengthened</li> </ul>	453	453 (or 100%)

By Major Final Output (MFO):

MFO	KEY PERFORMANCE INDICATORS (PIs)	2015 Targets
MFO 1:	<p>LABOR POLICY SERVICES</p> <ul style="list-style-type: none"> <li>▪ No. of policies updated, issued and disseminated</li> <li>▪ Percentage of stakeholders that rate policies as satisfactory or better</li> <li>▪ Percentage of policies that are updated, issued and disseminated in the last three (3) years</li> </ul>	<p>17</p> <p>70%</p> <p>70%</p>
MFO 2:	<p>EMPLOYMENT FACILITATION AND CAPACITY BUILDING SERVICES</p> <ul style="list-style-type: none"> <li>▪ No. of qualified persons referred for placement</li> <li>▪ No. of individual reached through Labor Market Information (LMI)</li> <li>▪ Percentage of individual who rate the services provided as satisfactory or better</li> <li>▪ Percentage of individuals provided services within the prescribed process cycle time (PCT)</li> <li>▪ No. of beneficiaries provided of livelihood assistance (P6,700 on the average capital cost/project)</li> <li>▪ No. of beneficiaries under Special Program for the Employment of Student (SPES)</li> <li>▪ Percentage increase in livelihood income due to improved production for the first year of implementation</li> <li>▪ Percentage of beneficiaries who rate the services provided as satisfactory or better</li> <li>▪ Percentage of workers provided services within the prescribed PCT</li> </ul>	<p>1,700,000</p> <p>1,700,000</p> <p>70%</p> <p>70%</p> <p>120,000</p> <p>250,000</p> <p>10%</p> <p>70%</p> <p>100%</p>
MFO 3:	<p>LABOR FORCE WELFARE SERVICES</p> <ul style="list-style-type: none"> <li>▪ No. of workers served</li> <li>▪ Percentage of workers who rate the services provided as satisfactory or better</li> <li>▪ Percentage of affected workers provided services within the prescribed PCT</li> </ul>	<p>4,000,000</p> <p>70%</p> <p>100%</p>
MFO 4:	<p>EMPLOYMENT REGULATION SERVICES</p> <ul style="list-style-type: none"> <li>▪ No. of establishments inspected</li> <li>▪ No. of workers covered as a result of inspections conducted</li> <li>▪ Percentage of establishments with deficiencies given appropriate assistance leading to compliance</li> <li>▪ Percentage of appealed labor disputes disposed (SpeEd)</li> <li>▪ Percentage of application for permits/licenses/registrations processed within prescribed PCT</li> <li>▪ Percentage of complaints and request for assistance settled within 30 days from filing (Single Entry Approach)</li> </ul>	<p>76,767</p> <p>4,556,674</p> <p>100%</p> <p>100%</p> <p>100%</p> <p>75%</p>

16. An analysis of the Agency’s Physical Accomplishments in terms of outcomes and Outputs achieved vis-à-vis the Performance Targets set for FY 2015, as presented in the Agency’s Physical Accomplishments Report and the Physical Plan was conducted to determine whether the physical targets in CY 2015 were actually achieved.

17. It was disclosed that DOLE 13 was not able to achieve its targets on one (1) performance indicators under Organizational Outcome No.2 - *Cooperation between Labor and Employers Sustained*, on Compliance rate with labor laws of establishments that employed 10 or more, which fall short by 27%.

18. It was further noted that on Organizational Outcome no. 3 - *Social Protection for Vulnerable Workers Strengthened*, no data was reported by the Regional Office on the two PIs namely, (1) Percentage of OFW labor cases successfully settled or resolved and (2) Welfare protection mechanisms for OFWs during all phases of the migration cycle, and including the families left behind strengthened.

19. The comparative figures for the Organizational Outcomes by performance indicator and the percentages of accomplishments and shortfalls are presented as follows:

<b>ORGANIZATIONAL OUTCOME</b>			
<b><i>1. Employability of Workers and Competitiveness of Enterprise Enhanced</i></b>			
<b>PERFORMANCE INDICATORS (PIs)</b>	<b>ACTUAL ACCOMPLISHMENTS (CY 2015)</b>	<b>2015 TARGETS (CY 2015)</b>	<b>(SHORT)/ OVER (CY 2015)</b>
<ul style="list-style-type: none"> <li>Percentage of Special Program for the Employment of Students (SPES) beneficiaries graduated from Tech-Voc or college</li> </ul>	2%	2-3% increase from the baseline	0%
<ul style="list-style-type: none"> <li>Percentage of jobseekers placed for employment</li> </ul>	91%	80% of jobseekers placed	11%
<b><i>2. Cooperation between Labor and Employers Sustained</i></b>			
<ul style="list-style-type: none"> <li>Compliance rate with labor laws of establishments that employed 10 or more</li> </ul>	73%	100%	(27%)
<ul style="list-style-type: none"> <li>Increase in number of Industry Tripartite Councils (ITCs) established in industries reached by labor Education</li> </ul>	100%	9.5% increase from baseline figure (231)	90.5%
<ul style="list-style-type: none"> <li>Percentage increase in Industrial Tripartite Councils adopting Voluntary Code of Good Practices (VCGPs)</li> </ul>	27%	16% increase (139 ITCs adopting VCGPs)	11%

<b>3. Social Protection for Vulnerable Workers Strengthened</b>			
• <i>Percentage of beneficiaries provided livelihood formation assistance with continued employment and income after six months of availment</i>	30%	10%	20%
• <i>Percentage of OFW labor cases successfully settled or resolved</i>	<i>No data available</i>	86% (56,341)	<i>Not possible due to absence of data</i>
• <i>Welfare protection mechanisms for OFWs during all phases of the migration cycle, and including the families left behind strengthened</i>	<i>No data available</i>	453 (or 100%)	<i>Not possible due to absence of data</i>

20. Based on the information gathered, the deficiency could be attributed to the following:

- a. The target set for DOLE 13 by the Bureau of Working Condition (BWC) was only 73% for the Compliance rate with labor laws of establishments that employed 10 or more.
- b. In the case of the two PIs under MFO 3 - Social Protection for Vulnerable Workers Strengthened without the available data, the Planning Officer explained that these PIs were part of the OPCR of OWWA.

21. The reasons cited by Management that BWC set the 73% *compliance rate with labor laws of establishments that employed 10 or more* was inconsistent with the commitment of the Department Secretary as laid down in the CY 2015 GAA.

22. In the case of the non-availability of information on actual accomplishments of two PIs under MFO 3 - Social Protection for Vulnerable Workers Strengthened, the same was committed by the Secretary of the DOLE in the CY 2015 GAA, therefore, actual accomplishments must also be reported.

23. Further, review of the fund utilization efficiency of DOLE 13 in CY 2015 showed a low utilization rate for current year's appropriations of only 84.88% and a payment rate of only 71.05%, which can be attributed due to the inefficiency in the implementation of some programs/activity/projects of the DOLE in 2015. The fund utilization details are presented below:

	<b>Appropriations</b>	<b>Allotment</b>	<b>Obligations</b>	<b>Unobligated Amount</b>	<b>Utilization Rate</b>	<b>Actual disbursements</b>	<b>Payments Rate</b>
CY 2015	P 95,431,000.00	P 95,431,000.00	P 81,000,062.64	P14,430,937.36	84.88%	P 67,804,030.13	71.05%

24. Thus, the failure of DOLE 13 to achieve its performance targets in FY 2015, as manifested by the deviation rate in one (1) performance indicator (PI) under Organizational

Outcome No. 2 and the absence of data on the two PIs under Organizational Outcome No. 3, as discussed above, suggest that there is a need for Management to revisit/reassess its operating policies and strategies and make some realignment to existing conditions in the industry it operates. Moreover, the low payments/disbursements rates for current appropriations also signifies low operational efficiency, which also contributed to the low physical delivery rates in terms of outcomes and outputs achieved by DOLE 13 in CY 2015.

25. Furthermore, Management shall ensure efficient utilization of funds and effectively manage its resources allocated for its operational expenses in the future. Thus, achieving the performance targets in terms of outputs to be achieved (MFOs) and the desired results (outcomes) in FY 2016, while providing its stakeholders' the services that the government as envisioned to deliver in an efficient, economical and effective manner.

26. *We recommended that the Management revisit Agency's operating policies and strategies to ensure achievement of the strategic objectives that the Department of Labor and Employment (DOLE) envisioned to achieve based on the Agency's commitment laid down in the General Appropriations Act.*

27. The Management has not yet commented on the above observations and recommendations.

#### *Livelihood Projects*

**Loans Receivable recorded in the books, which totaled P7,876,181.63 as of December 31, 2015, remained uncollected for over five years to more than twenty years due to the failure of DOLE to enforce legal actions against the borrowers to recover the amount borrowed though legal remedy was provided for in the Memorandum of Agreement entered into by and between the Regional Director of DOLE 13 and the Borrowers, thus, collectability and/or recovery of said receivables is becoming remote due to the lapsed of time, which is detrimental to the government.**

28. Section 2 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, provides that:

*“It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.”*

29. Analysis of the accounts in the financial statements as at December 31, 2015 revealed that loans receivable account with the balance of P7,876,181.63 remained uncollected for over five (5) years to more than twenty (20) years.



30. On interview with the Regional Accountant, it was disclosed that demand letters were sent to the borrowers in the prior years, but still the loans receivable accounts remained uncollected. It was also noted that these receivables remained outstanding for over five years to more than twenty years. However, he cannot show proof that indeed demand letters were sent to the borrowers.

31. Thus, the non-enforcement of legal actions to the borrowers to recover the amount of loans granted to the borrowers-beneficiaries, though legal sanctions was provided for in the Memorandum of Agreement entered into by and between the DOLE RO 13 and the Borrowers, resulted to the failure to collect the loan amounts. With the lapsed of time, collectability and/or recovery of said receivables is becoming remote to the detriment of the government.

32. *Institute measures to collect the amount of loan granted, and to take the necessary legal actions to enforce collections of the long outstanding loans receivable.*

33. The Management commented that they already are taking steps to demand full settlement of such loans receivables (attached herewith are copies of documents of demand letters). Furthermore a request of write-off will be sent after sending three demand letters to the concerned persons.

34. A demand for collection is just the first step of the collection process. Management need to exhaust legal remedies prior to the request for write-off.

#### *Kabuhayan Program*

**The DOLE Caraga failed to make use of the standardized monitoring and reporting system in all its 31 livelihood projects implemented in CY 2015 under the KABUHAYAN Program in the total amount of P10,399,897.97 extended to 3,429 beneficiaries, as required under DOLE Department Order No. 137-14, series of 2014, thus, the achievement of the objectives set for the program cannot be measured.**

35. Section 24 of DOLE Department Order No. 137-14, series of 2014 dated March 28, 2014 provides that the Bureau of Workers with Special Concerns (BWSC), under the direct supervision of the Undersecretary for Labor Standards and Social Protection, shall manage and supervise the implementation of the KABUHAYAN programs at the regional level.

36. Likewise, Section 26 of the said Department Order also provides that all ROs shall use the system prescribed under Department Order No. 85-07 or DOLE-Adjustment Measure Program (AMP) with the following modifications, for standardized monitoring and reporting. The reports and the due dates of submission are as follows:

**Report****Due Date**

- |                            |   |
|----------------------------|---|
| a. Project Profile         | three (3) days after the release of fund  |
| b. Monthly Progress Report | seven (7) days after the reference month  |
| c. Annual Report           | thirty (30) days after the reference year |

37. It was also stated therein that based on the Monthly Progress Report prepared by the DOLE-ROs, the BWSC and the regional focal person/s shall identify potential “trouble spots” needing closer supervision, and immediately act on the matter, and provide satisfactorily explanations in case of deviations and/or variances between the targets as planned and the accomplishments as reported.

38. Moreover, as provided in the Responsibilities of the Parties in items A.5 and B.18 of the Memorandum of Agreement (MOA) entered into between the DOLE-RO and the Local Government Units represented by their respective Mayors/ Barangay Captains, it is the responsibility of the DOLE-RO and the LGU to monitor and inspect the project implementation of the Proponent on a regular basis, verify the financial reports and records of the proponent, and to utilize their respective Project Management Team(PESO) to oversee and regularly monitor the projects, respectively.

39. In CY 2015, there were 3,429 beneficiaries totaling P10,399,897.97 who were granted financial assistance from the KABUHAYAN Program implemented by DOLE 13. Details are as follows:

<b>Field Offices</b>	<b>No. of ACP</b>	<b>No. of beneficiaries</b>	<b>Amount</b>	<b>Project Profile</b>	<b>Monthly Progress Report</b>	<b>Annual Report</b>
Agusan del Norte	3	124	P 725,600.00	none	none	none
Agusan del Sur	4	185	1,303,572.97	none	none	none
Surigao del Norte and PDI	8	506	1,761,472.00	none	none	none
Surigao del Sur	16	2,614	6,609,253.00	none	none	none
<b>Total</b>	<b>31</b>	<b>3,429</b>	<b>P 10,399,897.97</b>			

40. Verbal inquiry with the Regional and Field Offices Livelihood Focal Person regarding the extent of preparation and maintenance of the standardized reports disclosed that the four Field Offices, namely: Agusan del Norte Field Office (FO), Agusan del Sur FO, Surigao del Norte and Dinagat Island Province FOs and Surigao del Sur FO failed to submit the Project Profile, Monthly Progress Report and Annual Report as prescribed under DOLE Department Order No. 85-07, the DOLE-Adjustment Measure Program (AMP).

41. It was further noted that the DOLE 13 has continuously implemented livelihood projects in the past years without any feedback mechanism on how well its beneficiaries have performed individually, in spite of the requirement on monitoring and reporting to determine

the effective the programs implementation considering that the success of the KABUHAYAN program is not just on the number of beneficiaries availing the program, but more so, on what has become of its beneficiaries after the grant.

42. Interview with the Regional Focal Person disclosed that the failure to conduct monitoring and evaluation of the projects was due to heavy workloads of the Projects' Focal Persons in the Field that they can no longer under the projects' monitoring and evaluation as required under DOLE D.O. No. 85-07

43. Thus, the lack of monitoring and evaluations of the program implementation conducted and reported by the Program Focal Persons, the achievement of the program objective, which is *“to contribute to poverty reduction and reduce vulnerability to risks of the poor, vulnerable and marginalized workers”*, cannot be measured.

44. Moreover, the lack of monitoring and evaluation resulted to the non-continuance or failure of the projects, thus, sustainability was not achieved in some projects that DOLE Caraga extended assistance.

45. *Direct the Regional and Field Office Kabuhayan Focal Persons to comply with the required monitoring, reporting and evaluation standards for the program, as prescribed under DOLE Department Order No. 137-14, series of 2014, as amended, and as stated in the provisions of MOA, to provide Management with adequate and reliable information as basis for making appropriate decisions, and as a tool in taking appropriate action on identified problem areas to obtain better results in the future years of its implementation.*

46. *Likewise, problem on heavy workloads of program focal persons shall be addressed to effectively carry out the monitoring and reporting activities during and after the implementation of the projects to attain project's sustainability.*

47. The Management commented that their office had prepared and submitted already to the Bureau of Workers with Special Concerns (BWSC) in the Central Office the project profile of the FY 2015 livelihood assisted projects as stipulated in the DOLE D.O. 137-14 series of 2014. However, they ask for an extension to comply the required monthly progress reports and annual reports until June 30, 2016 due to a very hectic schedules and multiple functions our field office personnel.

#### *Special Program for Employment of Students (SPES)*

**The objective of the Special Program for Employment of Students (SPES) to help the poor but deserving students pursue their education through students emergency employment to augment their family income was not fully achieved by DOLE Caraga in CY 2015 due to delayed payments and/or non-payments of the 40 percent DOLE share in the wages of the 5,550 students-beneficiaries, which totalled ₱12,286,017.05 as of December 31, 2015. Moreover, the non-payments of 40% DOLE share within the prescribed period also violated Section 7, Rule IV and Sections 2 and 3, Rule V of RA 9547.**

48. Section 7, Rule IV of RA 9547 states that “The employer shall, among others, submit to the PESO not later than five (5) working days after the duration of employment the Establishment Report Form (SPES Form 2) indicating the following: number of students hired, nature of work, occupation of the student, inclusive dates of employment, the wage rate and the total salary or wage paid to the student, number of days worked and other pertinent information.”

49. Further, Sections 3 Rule V of the Published IRR of RA 9547 also provides that the PESO shall receive, validate and submit to DOLE Regional/Field Office all Establishment Report Forms (SPES Form 2) of participating employers for processing of the education voucher within three (3) working days after receipt, afterwards, per Section 2 of RA 9547, the amount of the education voucher shall be paid by the DOLE to the institution within thirty (30) days from its presentation to DOLE.

50. Moreover, DOLE-DepEd-CHED-DSWD-DBM-DOF Joint Memorandum Circular No. 2010-001 dated February 11, 2010 provides the Implementing Rules and Regulations (IRR) of RA 9547. The IRR provides for, among others, the period of employment, payment of salary wage, and the duties and responsibilities of employer, DOLE and Public Employment Service Office (PESO).

51. Based on the foregoing provisions, the DOLE Regional/Field Offices shall pay the student beneficiaries the 40 percent share of their wages within **38** days after the duration of employment.

52. Audit of the 1,855 disbursement vouchers and its supporting documents with the total amount of P 9,795,910.25, for the payment of 40 percent DOLE share in the wages of SPES student-beneficiaries in the CY 2015, disclosed that payments were significantly delayed. As shown in the disbursement vouchers, the dates of receipt of the pay checks of the 4,218 student-beneficiaries were beyond the prescribed period of 38 days after the duration of the employment. The analysis of the related data disclosed that the delay ranges from 39 to 244 days or an average of 114 days, as presented in Appendix 1.

53. Further review disclosed that 247 checks amounting to ₱1,617,937.20 became stale in CY 2015, and 679 checks issued amounting to ₱1,641,729.00 remained unreleased/unclaimed as of December 31, 2015. In summary, a total of 5,550 SPES beneficiaries totaling ₱12,286,017.05 were deprived of timely payment of their wages presented as follows:

<b>No. of SPES Beneficiaries</b>	<b>Amount</b>	<b>Remarks</b>
4,218	₱9,026,350.85	Payments delayed by 39 to 244 days
247	1,617,937.20	Unclaimed Checks which became stale in CY 2015
1,085	1,641,729.00	Unreleased checks as of Dec. 31, 2015
<b>5,550</b>	<b>₱12,286,017.05</b>	<b>Total</b>

54. Verbal inquiry with the Cashier and the Accountant revealed that the delay in the released of the checks was attributed to the huge volume of transactions that they processed; the distance of DOLE-Regional Office and the Field Offices and the respective claimants. Likewise, it is a policy of the Department not to process the claims if supporting documents are incomplete.

55. Thus, said conditions prevented the achievement of the SPES objective to help the poor but deserving students pursue their education by providing them short-term employment in order to augment their family income, which they can use in their studies.

56. *Direct all personnel concern in the Regional Office to process and pay the wages of SPES student-beneficiaries within the period prescribed, which is within 38 days after the employment duration. Likewise, augment the number of personnel doing the processing task so that payment of wages shall be done in a timely manner, if necessary.*

57. *Moreover, order the Head of the DOLE Provincial Offices to ensure that all SPES vouchers forwarded to the Regional Office for payment must be supported with complete and proper documents to facilitate immediate processing of the claims.*

58. The Management has called for a re-orientation with the Public Employment Service Office (PESO) Managers last March 2016. A new monitoring tool was designed for both PESO and DOLE's use. Moreover, the Mmanagement, together with all Field Office Heads, regional SPES focal persons, Accountant and Budget Officer will be attending a training on SPES Integrated Manual of Operations which was designed by the DOLE Central Office to address SPES concerns of all DOLE Regional Offices.

*Balik Pinay! Balik Hanapbuhay! Project*

**The achievement of the objective of the Balik Pinay! Balik Hanapbuhay! Project of the NRCO cannot be determine due to absence of accomplishments reports and other relevant documents as proof that activities were actually undertaken. Likewise, the low fund utilization rate for current appropriation of only 49.03% implies low operating efficiency, thus, the policy objective stipulated in DOLE Department Order No. 79-07 dated February 16, 2007, which is to enhance, strengthen and build responsive reintegration programs for the OFWs and their families' benefits cannot be ascertained.**

59. DOLE Departmental Order No. 79-07 dated February 16, 2007 prescribes the establishments of the National Reintegration Center for OFWs within the DOLE family in order to further enhance and strengthen the existing reintegration programs for OFWs and their families to ensure the greatest benefits to our OFWs from the fruits of their work overseas.

60. Similarly set out in the Department Order is the policy objectives, which states that *“the Reintegration Center shall develop, implement, and evolve progressive and responsive reintegration programs for OFWs and their families, which shall likewise be attuned to their communities’ needs, so as to maximize the benefits of migration for development”*.

61. It further provides that *“the Reintegration Center was primarily established to develop, implement, and evolve a program that will promote the economic reintegration of OFWs to improve their socio-economic well-being and secure their future”*.

62. Review of the funds transferred to DOLE Caraga by the Central Office in CY 2014 and 2015, through a Notice of Transfer of Allocation (NTA), for the Reintegration Program specifically for the purpose of conducting skills training in massage therapy, beauty care, cookery and meat processing with starter kits under Balik Pinay! Balik Hanapbuhay Project for the 128 beneficiaries and for the conduct of skills training under the Balik Pinay! Balik Hanapbuhay Project for food processing showed that of the total amount, received by DOLE Caraga in 2014 and 2015 amounting to Php1,185,800.00 and 469,500.00, only Php893,167.37 and Php337,685.71, respectively, or a total of Php1,230,853.06 were expended as of December 31, 2015, leaving an unexpended balance of P424,446.92. Details as follows:

ADL No.	Date	Expense	Amount	Expended	Unexpended
2014110769	11/18/2014	Training expense	1,185,800.00	893,167.37	292,632.63
2015040372	4/17/2015	Subsidies-Others	469,500.00	337,685.71	131,814.29
<b>Total</b>			<b>Php1,655,300.00</b>	<b>Php1,230,853.06</b>	<b>Php424,446.92</b>

63. However, the absence of Accomplishments Report upon the conclusion of the trainings precluded the Auditor from reviewing the implementation of the project considering further that there were no lists of participants or beneficiaries that were attached to the disbursement vouchers and no corresponding attendance sheets and distribution lists duly signed by the beneficiaries available for verification, thus, the policy objective stipulated in D.O. No. 79-07 dated February 16, 2007, which is to enhance, strengthen and build responsive reintegration programs for the OFWs and their families’ benefits cannot be ascertained.

64. Likewise, review of the utilization of funds allocated for the NRCO’s Reintegration Program in CY 2015 showed low utilization rate for current appropriations of only 49.03%. The fund utilization details are presented below:

Appropriations	Allotment	Obligations	Unobligated Amount	Utilization Rate
Current	P 469,500.00	P 469,500.00	P 239,316.00	49.03%
Continuing	699,260.00	699,260.00	489.13	99.99%

65. Further, the low utilization rate also signifies low operational efficiency, thus, the benefits of enhancing, strengthening and building responsive reintegration programs for the OFWs and their families were not fully achieved in 2015.

66. *Direct the NRCO Regional Coordinator to submit accomplishments report for CY 2015 and related documents for performance validation so that the achievement of the program objectives can be determined.*

67. *Likewise, ensure efficient utilization of funds and effectively manage the program implementation so that the policy objectives, as envisioned by DOLE, shall be achieved in an efficient and effective manner.*

68. The Management commented that the Body Massage Training were not yet undertaken for the reason that beneficiaries were already unavailable, others went abroad and some chose to change to other livelihood training as they felt necessary. They also informed us that the starter kits were still on hand in their office, including those other starter kits that were not yet claimed or soon to be delivered or awarded to our beneficiaries on the 2<sup>nd</sup> quarter of 2016 after they will undergo the required livelihood skills training to be conducted by an accredited trainer of TESDA.

69. Likewise, documents such as attendance sheets during the conduct of the training and awarding were already available and will be submitted to COA. Also, the Management asked for an extension to submit the distribution lists for the food processing and beauty care, for the reason that they are still looking for it because during the awarding, the OJTs were the one who took charge of it; the in-charge attended the other necessary activities of the awarding. But then the beneficiaries will be coming to claim their training certificates and will let them sign again the documents.

70. In addition thereto, they also commented that “As far as we have analyzed, for starter kits alone we have utilized 79% of the total fund allocated for 2014 and 2015 considering the obligated amount as fund utilized. If we based it on the Net Amount Paid, our fund utilization for 2014 and 2015 resulted to 74.36% for starter kits alone exclusive of the amount spent during the conduct of the skills training for Food Processing, Cookery and Beauty Care.

71. The Management shall ensure that activities undertaken in the implementation of its programs are well planned, managed and supervised so that we can deliver the services to our clients in a manner that is beneficial to them. The undistributed starter kits are a manifestation that we have not fully achieved the objectives we have envisioned on the said project. The Management should ensure that before conducting the skills training, the beneficiaries are informed ahead of time so that procurement of starter kits will be limited only to those who committed to join the trainings. Undistributed starter kits are susceptible to damage and loss if not immediately distributed to beneficiaries, thus, wastage of government resources is possible.

*Budget Accountability*

**The Budget Officer-Designate failed to maintain appropriate registries to record the Agency's appropriations, allotments and obligations as bases for the entries/figures appearing in the Statement of Appropriations, Allotment, Obligations, Disbursements and Balances(SAAODB) - FAR-1 and SAODB by Object of Expenditures – FAR 1-A as prescribed under COA Circular No. 2015-02, thus, render the amounts in the Financial Accountability Reports (FARs) unreliable, and likewise, proper charges to the programs/project/activity and expenditure object codes cannot be determined.**

72. Item 4.8 of COA Circular No. 2015-02 dated March 9, 2015 requires that upon the effectivity of the circular, the following revised forms and registries shall be used and maintained by NGAs, including the NTA and PCA for their SAGF to facilitate the monitoring of budget information and the preparation of the budget and accounting reports:

- a. xx
- b. xx
- c. xx
- d. Registry of Appropriations and Allotments (RAPAL)
- e. Registry of Allotments, Obligations and Disbursements (RAOD)
- f. xx

73. Verification of the registries of allotments, obligations and disbursement maintained by DOLE CARAGA disclosed that the Budget Officer-Designate failed to comply with the required format prescribed in COA Circular No. 20015-02, instead they devise their own format that only contains the following details: date, payee, ALOBS number, MFO/PAP, Code, Amount, PS, MOOE and Inter-fund Trust.

74. As such, the above registries contain only the amounts obligated for Personnel Services and Maintenance and other Operating Expenses but the appropriations, allotments and balances were not reflected in the said Registry. Furthermore, while the Statement of Appropriations, Allotment, Obligations, Disbursements and Balances (SAAODB) - FAR-1 and SAODB by Object of Expenditures – FAR 1-A require the information for the appropriations, allotments, obligations, disbursements and balances, such information cannot be found in the Registries maintained by the Budget Officer-Designate as described above.

75. Likewise, a comparison of the amounts per registries and per FAR for the three accounts selected on a random basis showed difference in the obligated amounts per Registries and per FARS, which disclosed a total variance (for the three accounts only) of Php22,456,453.28, as follows:



<b>MFO/PAP</b>	<b>Account Name/ Account Codes</b>	<b>Per Registries Obligated Amount as of Sept. 30, 2015</b>	<b>Per FAR Obligated Amount as of Sept. 30, 2015</b>	<b>Difference</b>
GAS 100010000	Salaries and Wages – Regular (50101010 01)	P 9,417,148.70	P 9,432,725.72	P-15,577.02
GAS 100010000	Travelling Expenses (50201010 00)	458,896.45	463,733.15	4,836.70
MFO 2 302010001	Subsidies – Others (50214990 00)	4,880,456.00	27,347,649.60	22,467,193.60
<b>TOTAL</b>		<b>P14,756,501.15</b>	<b>P37,244,108.47</b>	<b>P22,456,453.28</b>

76. In our assessment, the deficiency was attributed to the failure of the Budget Officer-Designate to follow the new regulations on the maintenance of appropriate registries, which is an indication of weakness in the internal control systems of the Agency.

77. As a result, proper charges to the programs/project/activity (PAP) and expenditure object codes cannot be determined, and the accuracy of the amounts/figures entered in the Statement of Appropriations, Allotment, Obligations, Disbursements and Balances (SAAODB) - FAR-1 and SAODB by Object of Expenditures – FAR 1-A cannot be relied upon.

78. *Direct the Budget Officer Designate to maintain appropriate registries of allotments, obligations and disbursements to ensure the accuracy of the amounts/figures reported in the FARs 1 and FARs 1-A.*

79. *Likewise, the Budget Officer-Designate shall ensure that the Registries should be the basis in preparing the quarterly Financial Accountability Reports and that the amounts/figures per FARs should tally with the amounts/figures in the prescribed Registries.*

80. The Management commented that the Budget Officer furnished an advance copy of their transaction list to COA and not the prescribed form especially the RAO by P/A/P which was promised to be submitted once the final report of FY 2015 is finalized. Anent to this, RAO of expenses account Salaries and Wages-Regular at which the difference of P15,577.02 is actually recorded and have tallied in the FAR. Further, an extension to furnish a complete copy of RAO is requested as they are still in the process of finalizing the FAR.

81. It was mentioned in the audit observation that the Budget Unit maintained record but not the registries in a prescribed form. Moreover, the record maintained by the Budget Officer-Designate did not support the figures appearing in the FARs. It should be noted that the figures/amount in the FARs should come from the balances in the Registries, therefore, there is no reason that the figures/amounts forwarded to FARs differs from the balances in the Registries.

## II. FINANCIAL AND COMPLIANCE AUDIT

### Financial Audit

#### *Cash and Cash Equivalents*

**Collections of the Special Collecting Officers of three DOLE field offices totaling P376,600.00 were not recorded in the books of accounts during the period the transactions take place instead recorded one to five months later from the dates of receipts. Further, the Surigao del Norte Field Office report of collections for August to November 2015 were not yet recorded in the books as of date. Thus, collections were not completely recorded in the books, which renders the Cash Collecting Officer account balance as presented in the financial statements inaccurate.**

82. One of the management assertions in the financial statement is the accuracy and completeness in the recording of its transactions

83. Likewise, Section 73 of the NGAS Manual Volume II for national government agencies states that:

*“Responsibility for the fair presentation and reliability of financial statements rests with the management of the reporting agency. This responsibility is discharged by applying generally accepted state accounting principles that are appropriate to the entity’s circumstances, by maintaining effective system of internal control and by adhering to the chart of accounts prescribed by the Commission on Audit.”*

*To achieve fair presentation and reliable information of the financial statements, the above provisions require observance of the following standards, among others:*

- *All financial data presented shall be accurate, reliable, and truthful.*
- *Financial reports shall be based on official records maintained under an adequate accounting system that produces information objectively and disclosed the financial aspects of all events or transactions taking place.*

84. An audit of collections of the Collecting Officer-Designate of three (3) DOLE Field Offices in DOLE CARAGA for CY 2015 was conducted to determine whether collections were recorded in the books at the time the transactions take place.

85. A comparison of the amounts per official receipts issued against the journal of collections and deposits and the total debits in the general ledger was undertaken and it was disclosed that collections of Agusan del Sur, Surigao del Norte and Surigao del Sur field offices were not recorded in the books of accounts during the period the transactions take place instead recorded one to five months later from the dates of receipts.

86. It was noted that collections of Agusan del Sur field office were recorded in the books of accounts one to two months later. The Surigao del Norte field office was one to five months late while the Surigao del Sur field office collections were recorded in the books one month later.

87. Moreover, the Surigao del Norte field office failed to submit to the Regional Office their collections for the period August to December 2015 as of January 21, 2016, thus, collections were not yet taken up in the books as of date. The details are in Appendix 2.

88. Inquiry with the Regional Accountant revealed that their office already issued a memorandum directing the Special Collecting Officers that collections for the month should be submitted to their office on the first working day of the following month to be included and recorded in the books of accounts. Despite the memorandum, the field offices still did not comply with the said memorandum.

89. Considering that collections were not completely recorded in the books, it renders the Cash Collecting Officer account balance as presented in the financial statements inaccurate.

90. *Direct the Special Collecting officer of Surigao del Norte Field Office to immediately submit their collections for the period August to December 2015, for the recording in the books;*

91. *Impose administrative sanction to Special Collecting Officers who failed to report their monthly collections and deposits with the Bureau of the Treasury after the end of each month for recording in the books of accounts. Likewise, direct the Regional Accountant to record collections at the time the transactions take place.*

92. The Management commented that the RCD reflecting collections of SDN Field Office were already submitted to the Regional Office as of Feb. 9, 2016 and recorded in the books of accounts as per JEV CRJ No. 2015-12-0251 as attached. Moreover, Memorandum Number 022 dated Feb. 9, 2016 was issued to remind the Special Collecting Officers that Sec. 40, Vol. 1 of Government Accounting Manual should be strictly adhered to particularly on recording of collections and deposits at the time it took place.”

93. Management should ensure that all collections of Special Collecting Officers in the field offices are fully deposited with the BTr during the month and recorded in the books of accounts before the trial balance shall be prepared every end of the month.

**The General Ledger balance of the Cash in Bank- MDS Regular, Cash in Bank – LCCA-PVB, Cash in Bank –LCCA- SPES with the total amount of ₱17,838,846.23 differs from the audited balance of only ₱16,502,168.33, a variance of ₱1,336,677.90, thus, affects the fair presentation of the Cash accounts in the financial statements.**

94. Section 73 provides the responsibility for the fair presentation and reliability of financial statements rests with the management of the reporting agency. This responsibility is discharged by applying generally accepted state accounting principles that are appropriate to the entity's circumstances, by maintaining effective system of internal control and by adhering to the chart of accounts prescribed by the Commission on Audit.

95. To achieve fair presentation and reliable information of the financial statements, the following standards shall be observed.

*“a. Fairness of presentation. This refers to the overall propriety in disclosing financial information. Full disclosure in financial aspects requires observance of the following standards of reporting:*

*All essential facts relating to the scope and purpose of each report and the period involved shall be included and clearly displayed.*

*All financial data presented shall be accurate, reliable, and truthful. The requirement for accuracy does not rule out the inclusion of reasonable estimates when the making of precise measurements is impracticable, uneconomical, unnecessary, or conducive to delay. All appropriate steps shall be taken to avoid bias, unclear facts, and presentation of misleading information.”*

96. Review of the books of accounts of the Department of Labor and Employment, Regional Office No. XIII, Butuan City revealed that the balance of the Cash in Bank- MDS, Regular, Cash in Bank – LCCA, PVB and Cash in Bank- LCCA, SPES per general ledger of Php17,838,846.23 differs from the balance per Check Disbursements Records (CDR) of only Php16,502,168.33, a variance of Php1,336,677.90 while the audited balance for the three (3) cash accounts totaled Php16,942,431.99, as shown in the table below. Thus, affects the fair presentation of the account balances in the financial statements.

Fund	As of December 31, 2015			Audited Balance
	Balance per General Ledger	Balance per Cashbook	Difference	
CIB-MDS- Regular	1,492,252.31	0.00	1,492,252.31	640,164.47
CIB-PVB	16,008,351.12	16,008,251.93	99.19	16,008,351.12
CIB-SPES	338,242.80	493,916.40	(155,673.60)	293,916.40
<b>TOTAL</b>	<b>17,838,846.23</b>	<b>16,502,168.33</b>	<b>1,336,677.90</b>	<b>Php16,942,431.99</b>

97. The results of the detailed examinations of the three (3) depository accounts are presented in the reconciliation statements attached as Appendix 3.

98. The errors in recording the transactions in the books of accounts and per checks disbursements records (CDR) as discovered in audit, if not corrected/adjusted, renders the cash in bank account balances as presented in the financial statements as at December 31, 2015 incorrect and unreliable, which affects the fair presentation of the accounts in the financial statements.

99. *Direct the Accountant and the Cashier to reconcile their records and immediately take-up the adjustments of all reconciling items in the books of accounts through the preparation of a journal entry voucher (JEV) and in the cashbook respectively, to correct the ledger and cashbook (audited) balances.*

100. *Likewise, direct the Accountant to record immediately the cancelled and stale checks, reversions of unused NCA and Notice of Transfer of Allocation (NTA) regularly or as the transactions takes place.*

101. The Management commented and we quote, “Anent to it we would like to apprise your good office that cash balances for LBP-MDS Regular, Cash LCCA-PVB and Cash LCCA-SPES in books of accounts of accounting unit and cashbook of cashier unit is already balanced as of December 31, 2015. Attached herewith are our copy of Bank Reconciliation Statements, General Ledgers, and Cashbooks to prove reconciliation of balances. The details of adjustments and explanations to unreconciled items are presented in the schedule”

102. Though bank and book balances are reconciled in the bank reconciliation statements, still the reconciling items needs to be recorded in the books of accounts - GL and SL, and the check disbursements’ records (CDR) to correct the balances in the GL, SL and CDRs.

#### *Loans Receivable Account*

**Allowance for Impairment was not recognized on Loans Receivable account for Loans granted to various Labor/Workers Associations, which totaled P7,876,181.63 as of December 31, 2015, thus, a departure to the Philippine Public Sector Accounting Standards (PPSAS) Nos. 1, 21 and 26.**

103. COA Circular 2013-002 dated January 30, 2013 prescribe the adoption of the Revised Chart of Accounts for National Government Agencies effective January 1, 2014 to provide new accounts for the adoption of the Philippine Public Sector Accounting Standards (PPSAS), which was harmonized with the IPSAS to enhance the accountability and transparency of the financial reports and ensure comparability of financial information.

- PPSAS No. 1 – Presentation of Financial Statements: *Financial Statements (FS) shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of the transactions, other events, and condition in accordance with the definitions and other events, and recognition criteria for assets, liabilities, revenue, and expenses set out in PPAS.*
- PPSAS - The Conceptual Framework for General Purpose Financial Reporting (GPFRs) by Public Sector Entities, paragraph 3.10 states that *to be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error.* Paragraph

3.12 states that an *omission of some information can cause the representation of an economic or other phenomenon to be false or misleading, and thus not useful to users of GPFRs.*

- PPSAS 21 and 26 pertain to Impairment of Non-cash and Cash Generating Assets, respectively, which provide that impairment, is a loss in the future economic benefits or service potential of assets, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortization). Impairment, therefore, reflects a decline in the utility of an asset to the entity that controls it.

It also provides that a non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. Further, it identifies key indications that an impairment loss may have occurred. If any of those indications are present, an entity is required to make a formal estimate of recoverable service amount. Also, it provides that an impairment loss shall be recognized immediately in surplus or deficit and after the recognition of an impairment loss, the depreciation (amortization) charge for the asset shall be adjusted in future periods.

104. Verification of the books of accounts as of December 31, 2015, disclosed a balance of Loans Receivable account of P7,876,181.63, details is shown in Appendix 4.

105. Likewise, an examination of the schedule of loans receivables revealed that DOLE Caraga granted loans to various borrower-beneficiaries under its livelihood programs totaling P7,876,181.63 from 1994 to 1997. However, no collections were recorded in the books since the last five years.

106. On the other hand, analysis of the accounts in the financial statement as of December 31, 2015 also disclosed that the Accountant failed to recognize Allowance for Impairment on Loans Receivables, which remains uncollected for more than 20 years, as required under PPSAS 21 and 26.

107. Thus, the non-provision of Allowance for Impairment affects the fair presentation of the loans receivable account in the financial statements, which may misled the users of the Financial Statements since accurate valuation of the account was not properly presented.

108. ***Provide for the Allowance for Impairment on Loans Receivable account recorded in the books of account, which becomes dormant for so many years, to present the fair valuation of the accounts in the financial statements.***

109. The management is asking Financial Management Service of Department of Labor and Employment Central Office for guidelines on recording the impairment of Loans Receivables.

#### *Inventory Accounts*

**Two journal entries, carried in the General Journal of December 2015, reclassified the prior years' inventory accounts' balances of Php5,120,295.61 into its corresponding expense accounts without the required supporting documents, thus, said entries were considered irregular due to absence of evidence to show that indeed supplies and materials were actually utilized in accordance with the purpose for which it was acquired. Likewise, inventory accounts' balances presented in the financial statements as of December 31, 2015 of Php325,066.82 is unreliable and inaccurate due to the above condition, which further affect the fair presentation of the accounts in the financial statements.**

110. Section 73, Volume II of the NGAS Manual for national government agencies states that:

*“Responsibility for the fair presentation and reliability of financial statements rests with the management of the reporting agency. This responsibility is discharged by applying generally accepted state accounting principles that are appropriate to the entity’s circumstances, by maintaining effective system of internal control and by adhering to the chart of accounts prescribed by the Commission on Audit.”*

*To achieve fair presentation and reliable information of the financial statements, the above provisions require observance of the following standards, among others:*

- *All financial data presented shall be accurate, reliable, and truthful.*

111. Likewise, Item J of Section 4 of the NGAS Manual, Volume 1 states that:

*“Supplies and materials purchased for inventory purpose shall be recorded using the perpetual inventory system. Regular purchases shall be coursed thru the inventory account and **issuances thereof shall be recorded as they take place** except those purchased out of Petty Cash Fund which shall be charged directly to the appropriate expense accounts.”*

112. Moreover, Section 62 prescribed the used of the Report of Supplies and Materials Issued (RSMI) as proof of issuances made. It states that;

*“The Report of Supplies and Materials Issued (Appendix 59) shall be prepared by the Supply Officer and shall be used by the Accounting Unit as a basis in preparing the JEV to record the supplies and materials issued.”*

113. Further, Section 53 provides for the Requisition and Issue Slip (RIS). It states that *“The Requisition and Issue Slip (Appendix 50) shall be used to request supplies and materials that are carried on stock.”*

114. Verification of the books of accounts disclosed the balance of inventory accounts of ₱325,066.82 as of December 31, 2015. The movements of the inventory accounts are also presented as follows:

Inventories	Beginning balances, CY 2014	Additions	Usage		Ending balances, CY 2015
			Current	Adjustment (Previous Inventories)	
	A	B	C	D	E=A+B-C-D
Office Supplies Inventory	1,262,061.70	119,867.00	89,900.25	1,262,061.70	29,966.75
Accountable Forms, Plates and Stickers Inventory	325,830.00	1,050.00	787.50	325,830.00	262.50
Construction Materials Inventory	28,681.00	-		28,681.00	-
Other Supplies and Materials Inventory	3,503,722.91	1,179,350.29	884,512.72	3,503,722.91	294,837.57
<b>Total</b>	<b>5,120,295.61</b>	<b>1,300,267.29</b>	<b>975,200.47</b>	<b>5,120,295.61</b>	<b>325,066.82</b>

115. It was further noted that two (2) journal entries vouchers were drawn and carried in the general journal for the month of December 2015 reclassifying the prior years’ inventory accounts’ balances of Php5,120,295.61 into its corresponding expense accounts though were not supported with the necessary supporting documents, such as: Report of Supplies and Materials Issued (RSMI) and the duly signed Requisition and Issue Slips, as proof of issuances made.

116. Moreover, the entries in dropping the inventories as of December 31, 2014, a debit to Accumulated Surplus and credit to the respective inventory accounts totalling Php5,120,295.60 were made, which correspond to the total beginning balances of four (4) inventory accounts as presented in Column A above. For the inventories acquired in CY 2015, the journal entry was a debit to Supplies Expenses accounts and credit to Inventory accounts amounting to P975,200.47. The details is in Appendix 5.

117. Inquiry with the Accountant revealed that the Supply Officer-Designate did not furnish his office the required supporting documents such as the Report of Supplies and Materials Issued every month. He also added that to beat the deadline of submission of Financial Statements, he recorded the adjustments through estimate and without the supporting documents and schedules as basis.



118. In our assessment, the Php5,120,295.61 inventories that were dropped from the books were considered irregular due to absence of evidences to show that indeed inventories were actually utilized in accordance with its purpose for which it was acquired.

119. Likewise, the inventory accounts balances presented in the financial statements as of December 31, 2015 of Php325,066.82 is considered inaccurate and unreliable, which affect the fair presentation of the accounts in the financial statement.

120. *Remind the Accountant to exercise appropriate professional judgment before recording the transactions in the books of accounts and ensure that all journal entries whether financial or non-cash shall be supported with complete and valid documents.*

121. *Moreover, direct him to revert the entries made in dropping the inventories totalling Php5,120,295.60 to restore the accountability of the Supply Officer.*

122. *On the other hand, direct the Supply Officer to prepare and submit to the Accountant the reports of supplies and materials issued (RSMI) for the CY 2014 and CY 2015 issuances of office supplies as basis in recognizing the expense accounts to reduce her accountability.*

123. *Finally, ensure that the Supply Officer prepares reports of supplies and materials issued regularly and submit said RSMI to the Accounting Unit for recording in the books to update the supplies inventory accounts balances.*

124. The Management has not yet commented on the above observation and recommendations.

## Compliance Audit

### *Compliance with Treasury Regulations*

**Cash in Bank–Local Currency Current Account, with a bank balance of Php16,038,189.77 as of December 31, 2015, was still maintained by DOLE Caraga for the deposits and disbursement with the Philippine Veterans Bank from collections for registration fees in seminars, conference, etc., unutilized fund transfers from Central office, idle cash balances and other trust receipts and income, although no longer authorized under Section 2.1 of JC 4-2012 and Section 3 of the general provisions of the GAA for FY 2015, thus, exposing funds to possible misuse/misapplication.**

125. Section 2.1 of Joint Circular No. 4-2012 dated September 11, 2012 provides for the rationale for the reversion of all dormant accounts, unnecessary special and trust fund to the general fund. It states that unless otherwise specifically provided by law, all income collected by agencies of the government by virtue of the provisions of law, orders and regulations shall

be deposited in the National Treasury, and shall accrue to the un-appropriated surplus of the General Fund of the Government.

126. Further, Section 3 of General Provisions of the General Appropriations Act of 2015 provides that:

*“All fees, charges, assessments, and other receipts or revenues collected by departments, bureaus and offices of the National Government, including Constitutional Offices enjoying fiscal autonomy in the exercise of their functions, shall be deposited with the National Treasury as income of the General Fund pursuant to Section 44, Chapter 5, Book VI of E.O. No. 292, s. 1987 and Section 65 of P.D. No. 1445, ...*

*Disbursements or expenditures by agencies from use and/or retention of income absent the above legal authority and/or from income deposited outside of the National Treasury without legal basis shall be void and shall subject the erring officials and employees to disciplinary action under existing laws.”*

127. Analysis of the cash and cash equivalent accounts presented in the financial statements disclosed that the DOLE 13 still use the Cash – in- Bank, Local Currency Account (LCCA) to record deposits and withdrawals for the depository account maintained at the Philippine Veterans Bank, with a balance of Php16,038,189.77 as of December 31, 2015. It was further noted that this depository account consist of deposits of excess collections from registration fees, unutilized fund transfers, idle cash balances and other trust receipts and income, although no longer allowed under existing Treasury regulation cited-above.

128. It was also disclosed that no subsidiary ledgers were maintained to support the controlling GL account balance of Cash in Bank-LCCA. As a result, balance of the funds composing the account balance could not be determined, and the propriety of the claims charges to the fund cannot be ascertained.

129. Thus, cash was idle instead of using the same for other priority programs and projects of the government, and likewise, exposing funds to possible misuse and/or misapplication.

130. ***Direct the Accountant to close the depository account with Philippine Veterans Bank and remit the cash balance to the Bureau of the Treasury in accordance with Section 3 of GAA 2015 and JC No. 4-2012.***

131. The Management commented and we quote, “Anent to this the Management is already taking initial steps to close the Cash in Bank LCCA, PVB account or request for authorization from permanent committee pursuant to COA Circular 2015-013 dated November 27, 2015.”

132. The management is asking for time to fully comply with requirements on or before the end of June 2016.

*Compliance with the New Government Accounting Systems*

**The failure of the Supply Officer to maintain updated stock cards for each inventory items caused the non-preparation of the Report on the Physical Counts of Inventories (RPCI), and likewise, hinders the conduct of the actual counts of the inventories by the Inventory Committee for the semesters ending June 30 and December 31, 2015, which is a departure to the accounting policies prescribed in the NGAS Manual, Volume I. Thus, the actual existence and condition of the inventories as carried in the books as of December 31, 2015 totaling P324,804.32 cannot be ascertained.**

133. Section 4 paragraph I of the New Government Accounting Systems Manual, Vol. I provides for the maintenance of Supplies and Property, Plant and Equipment Ledger Cards. It states that:

*“For appropriate check and balance, the Accounting Units of agencies, as well as the Property Offices, shall maintain Supplies Ledger Cards/Stock Cards by stock number and Property, Plant and Equipment Ledger Cards/Property Cards by category of property, plant and equipment, respectively.”*

134. Moreover, Section 65 of the NGAS Manual, Volume II provides that:

*“The Report on the Physical Count of Inventories (Appendix 62) shall be used to report the physical count of supplies by type of inventory as of a given date. It shows the balance of inventory items per cards and per count and shortage/overage, if any.”*

135. Furthermore, Appendix 62 of the NGAS Manual, Volume II requires for the RPCI to be prepared every six months in three (3) copies and shall be certified correct by the Inventory Committee and approved by the Head of the Agency. It shall be submitted to the Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively.

136. Verification of the books of accounts as of December 31, 2015 showed a balance of the Inventory accounts of Php324,804.32. The breakdown is presented below:

<b>Particulars</b>	<b>Account Code</b>	<b>Acquisition Cost</b>
Other supplies and materials Inventory	1-04-04-990-00	294,837.57
Office Supplies Inventory	1-04-04-010-00	29,966.75
<b>Total</b>		<b><u>Php324,804.32</u></b>

137. Moreover, inquiry disclosed that the conduct of physical count of inventories was not facilitated due to the failure of the Supply Officer to prepare the Report of Physical Count of Inventories (RPCI) caused by the absence of stock cards and supplies ledger cards as basis of

the RPCI though said report was required to be submitted to COA not later than July 31, 2015 and January 31, 2016 for the stock balances as of December 31, 2015.

138. In our assessment, the deficiency is an indication of weakness in the internal control systems of the Agency that needs to be strengthened and/or improved.

139. As a result, actual existence and conditions of the inventory items totaling Php324,804.32 cannot be ascertained.

140. *For the meantime, direct the Supply Officer together with the Inventory Committee to conduct actual physical counts of all Inventory items on hand as of December 31, 2015 to ascertain its physical existence and condition. Obsolete items shall be disposed-off and dropped from the books following the procedures in the NGAS Manual.*

141. *Likewise, direct the Supply Officer to prepare Report on the Physical Counts of Inventories (RPCI) as December 31, 2015 based on the actual counts and maintain updated stock cards using the actual counts as the beginning balances. Any discrepancies shall be reconciled and unaccounted items shall be considered an accountability of the Supply Officer.*

142. *Further, reconciliation of the balance per supplies ledgers cards maintained by the Accounting Unit and the balances per stock cards maintained by the Supply Unit shall be done regularly to ensure correctness of the accounts balances per GL.*

143. The Management commented that the Supply Officer and the Inventory Committee will conduct actual physical counts of Inventory as of December 31, 2015 not later than April 30, 2016. All functional field offices and divisions will assist the inventory team to fast track completion of the physical count and submission of reports. The inventory team is strictly required to conduct physical count as of June 30 and December 31 starting this year 2016 thereafter. The said function shall form part of the performance indicator of the individual member of the inventory team. The Supply Officer will also be required to religiously and timely submit her reports to the Accountant.

144. They further averred that Accountant was also enjoined to drop from the books in accordance with the NGAS Manual all obsolete items identified as a result of the physical count. The Supply Officer will be held accountable for any discrepancies and unaccounted items. The Accountant and the Supply Officer are also enjoined to completely and properly reconcile the balances in their supplies ledgers and stock cards, respectively not later than June 30, 2016. The Chief of the Internal Management Services Division is also enjoined to monitor the compliance of the concerned personnel and ensure the implementation of the plan is achieved.

**The Agency failed to conduct actual physical count of the Property and Equipment carried in the books, which totaled Php12,546,212.92 as of December 31, 2015 since no Report of the Physical Counts of PPE (RPCPPE) was prepared by the Supply Officer due to absence of updated Property Cards and Property Ledger Cards for each item of PPE, as required in Section 4 paragraph I of the New Government Accounting System Manual, Volume I. Thus, actual existence and physical condition of the assets comprising the PPE accounts as presented in the financial statements as of December 31, 2015 cannot be ascertained.**

145. Section 4, paragraph I of the New Government Accounting Systems Manual, Vol. I provides for the maintenance of Supplies and Property, Plant and Equipment Ledger Cards. It states that:

*“For appropriate check and balance, the Accounting Units of agencies, as well as the Property Offices, shall maintain Supplies Ledger Cards/Stock Cards by stock number and Property, Plant and Equipment Ledger Cards/Property Cards by category of property, plant and equipment, respectively.”*

146. Section 66 of the NGAS Manual, Volume II provides that:

*“The Report on the Physical Count of Property, Plant and Equipment (Appendix 63) shall be used to report the physical count of property, plant and equipment by type as of a given date. It shows the balance of property and equipment per cards and per count and shortage/overage, if any”.*

147. Furthermore, Appendix 63 of the NGAS Manual, Volume II also requires for the Report on the Physical Count of PPE to be prepared yearly in three copies and shall be certified correct by the Inventory Committee and approved by the Head of the Agency. It shall be submitted to the Auditor concerned not later than January 31 of each year.

148. Verification of the books of accounts as of December 31, 2015, disclosed the balances of the PPE accounts, as follows:

<b>Particulars</b>	<b>Account Code</b>	<b>Acquisition Cost</b>
Office Equipment	1-06-05-020-00	1,343,462.70
ICT Equipment & Software	1-06-05-030-00	4,251,602.71
Communication Equipment	1-06-05-070-00	54,596.95
Firefighting Eqpt. & Accessories	1-06-05-090-01	27,000.00
Other Machineries & Equipment	1-06-05-990-00	235,365.50
Motor Vehicle	1-06-06-010-00	5,879,921.06
Furniture and Fixtures	1-06-07-010-00	539,264.00
Work/Other Animals	1-06-99-010-00	215,000.00
<b>Total</b>		<b>P12,546,212.92</b>

149. Inquiry with the inventory committee disclosed that the conduct of physical count of PPE was not completed due to the failure of the Supply Officer to prepare Report of Physical Count of PPE (RPCPPE) due to absence of complete and updated property cards (PC) maintained by the Supply Unit and the PPE ledger cards maintained by the Accounting Unit.

150. The deficiency is an indication of weakness in the internal control systems of the Agency that Management needs to strengthened and/or improved its ICS, thereby improving Agency's operating efficiency.

151. As a result, the actual existence and condition of Agency's PPEs, which totaled Php12,546,212.92 as of December 31, 2015 cannot be ascertained.

*152. For the meantime, direct the Supply Officer together with the Inventory Committee to conduct actual physical counts of all existing PPEs as of December 31, 2015 to ascertain its physical existence and condition. Unserviceable items shall be disposed-off and dropped from the books following the procedures in the NGAS Manual.*

*153. Likewise, direct the Supply Officer to prepare Report on the Physical Counts of PPE (RPCPPE) as December 31, 2015 based on the actual counts and maintain updated property cards (PC) using the actual counts as the beginning balances. Lost items shall be looked into and any unaccounted items shall be considered an accountability of the Accountable Officers.*

*154. Further, reconciliation of the balance per property ledgers cards maintained by the Accounting Unit and the balances per property cards maintained by the Supply Unit shall be done regularly to ensure correctness of the accounts balances per GL.*

155. The Management commented that the Supply Officer and the Inventory Committee will conduct actual physical counts as of December 31, 2015 not later than April 30, 2016. All functional field offices and divisions will assist the inventory team to fast track completion of the physical count and submission of reports. The inventory team is strictly required to conduct physical count as of June 30 and December 31 starting this year 2016 thereafter. The said function shall form part of the performance indicator of the individual member of the inventory team. The Supply Officer will also be required to religiously and timely submit her reports to the Accountant.

156. They further states that Accountant was also enjoined to drop from the books in accordance with the NGAS Manual all obsolete items identified as a result of the physical count. The Supply Officer will be held accountable for any discrepancies and unaccounted items. The Accountant and the Supply Officer are also enjoined to completely and properly reconcile the balances in their supplies ledgers and stock cards, respectively not later than June 30, 2016. The Chief of the Internal Management Services Division is also enjoined to monitor the compliance of the concerned personnel and ensure the implementation of the plan is achieved.

*Compliance with CSC Rules and Regulations*

**Application for Monetization of Accumulated Leave Credits supporting the payments of monetized leave credits of twenty (20) employees of DOLE Caraga, which amounted to P287,635.39 were not completely signed and filled-up as required under COA Circular 2012-001 dated June 14, 2012, thus, the validity and propriety of the transactions cannot be ascertained.**

157. Section 4 of PD 1445 provides the Fundamental Principles, wherein paragraph (6) states that *“Claims against government funds shall be supported with complete documentation”*.

158. Likewise, Item 5.14 of COA Circular 2012-001 dated June 14, 2012, the Revised Documentary Requirements for Common Government Transactions, which provides the list of documentary requirements, such as:

**5.14 Monetization of Leave Credit**

- Approved Leave Application with leave credit balance certified by the Human Resource Office
- xxx
- xxx

159. Verification of the transactions disclosed that DOLE Caraga paid a total of Php461,418.44 to twenty-three (23) DOLE employees for the monetization of earned leave credits in CY 2015.

160. Further verification disclosed that twenty (20) disbursement vouchers (DVs) with the total amount of Php287,635.69 were not supported with the required supporting documents. It was also noted that the application for leave attached to the DVs were either not signed as *“certified and processed by”* the Human Resource Officer or not signed in the *“reviewed by”* portion by the Administrative Officer. Likewise, five DV’s were not completely signed and the *“Certification of leave credits”* portion was not even filled-up. The details of the disbursements are presented in Appendix 6.

161. The deficiency was attributed to the Agency’s lack of controls in leave administration, which resulted to several deficiencies in the payment of monetization to DOLE employees in CY 2015.

162. As a result, the validity and propriety of the transactions cannot be ascertained.

163. ***Direct the HRMO-Designate and the Accountant to ensure that Application for Leave supporting the payment of monetization of earned leave credits shall be completely signed and approved by proper official in accordance with COA Circular 2012-001.***

164. The Management commented that in the light of addressing leave administration and other HR concerns, the Management has designated a new HRMO, Ms. Nida A. Baybay, effective January 18, 2016. The new HRMO, with the support of the Accountant and the IMSD Chief, is tasked to review the subject 20 applications for monetization and ensure compliance not later than April 30, 2016.

**The HRMO failed to observe the required minimum leave credits to be retained prior to the grant of monetization of accumulated leave credits pursuant to Section 22 of the CSC Omnibus Rules on Leave, which resulted to the retained earned leave credits of three (3) employees below the required minimum of five days.**

165. Sec. 22 of the Omnibus Rules on Leave provides for the “*Monetization of leave credits*. It states that Officials and employees in the career and non-career service whether permanent, temporary, casual or co-terminous, who have accumulated fifteen (15) days of vacation leave credits shall be allowed to monetize a minimum of ten (10) days: Provided, that at **least five (5) days** is retained after monetization and provided further that a maximum of thirty (30) days may be monetized in a given year.”

166. Verification of the leave cards of DOLE employees for CY 2015 revealed that DOLE employees were granted monetization for ten (10) days even though the balance of their earned leave credits after the grant falls below the required five (5) days minimum leave credits to be retained and one employee even incurred negative balance. Details as follows:

Date	Name	Amount	Balance of Leave Credits before Monetization	Approved No. of days monetized	Balance of earned Leave Credits after Monetization (below the required 5 days minimum to be retained)
12/15/2015	M. Montejo	14,988.51	12.458	10	2.458
8/18/2015	R. Sanchez	14,988.51	13.888	10	3.888
8/18/2015	S. Galado	14,988.51	10.992	10	0.992
12/15/2015	S. Galado	14,988.51	9.992	10	-0.008
		<b>P 59,954.04</b>		<b>40</b>	

167. In our assessment, the deficiency was attributed to the failure of the Agency to observe the Civil Service Omnibus Rules on Leave, which prescribed the minimum leave credits to be retained after the grant of monetization of accumulated vacation leave credits.

168. As a result, payments of monetization of earned leave credits were granted to three (3) employees without sufficient balances of earned leave credits to be retained after monetization.

169. ***Order the Accountant and the HRMO-Designate to observe the five (5) days required minimum leave credits to be retained after the monetization of earned leave credits in accordance with Sec. 22 of the CSC Rules on Leave.***



170. *Likewise, ensure that employees leave cards are updated prior to the approval of monetization of leave credits to avoid committing the same errors.*

171. Management further averred that the failure of the HRMO-Designate to deduct the actual number of days monetized of the three employees from their leave cards and correctly compute the accumulated balance of the leave credits rendered the balances of leave cards incorrect and overstated as of December 31, 2015. Thus, the integrity of the data/ information appearing the employees' leave cards is questionable.

**Monetized earned leave credits of six (6) DOLE employees of 10 days each were not deducted from their respective leave cards, thus, leave credits balance appearing in the leave cards of each personnel were overstated by 10 days. Moreover, earned leave credits per leave cards of three (3) personnel of DOLE Caraga were wrongly computed, which resulted to the excessive balance of earned leave credits totaling 60 CD with the equivalent amount of Php80,013.84 as of December 31, 2015. Thus, the integrity of the data/information appearing the employees' leave cards is questionable.**

172. Examination of the leave cards and verification of the transactions related to payment of monetization to DOLE employees in CY 2015 also disclosed that six employees were paid for their ten (10) days monetization of accumulated leave credits totaling P84,013.84 but were not recorded/deducted in their respective leave cards. Details as follows:

Name	Bal. of earned leave before monetization	Number of days monetized	Bal. of earned leave after monetization	Balance per Leave Card	Excess Over Correct Leave Balance	Equivalent Amount of undeducted monetization
E. Espina	16.63	10	6.63	16.63	10	16,187.55
G. Bal	21.437	10	11.437	21.437	10	24,578.45
I. Asis	14.5	10	4.5	14.5	10	11,565.02
J. Plandano	45.328	10	45.328	35.328	10	10,248.27
M. Lucero	5.067	10	-5.067	5.067	10	12,850.02
N. Baybay	14.265	10	4.265	14.265	10	8,584.53
<b>Total</b>					<b>60</b>	<b>Php 84,013.84</b>

173. Further verification also disclosed that there were errors in the computation of the accumulated balance of the leave credits forwarded in the leave cards of the following employees as of December 31, 2015, as follows:

Name	Beg. Bal. 1/1/15	Earned Leave	Deductions				Audited Balance of Leave Credits	Balance per Leave Card 12/31/15	Variance (In terms of no. of days)	Equivalent amount of the variance
			UT/ Abs/ AL	Forced Leave	Moneti-zation	Total				
N. Baybay	15.265	15	1		10	11	19.265	20.515	-1.25	1,073.07
M. Saludo	8.059	13.75	0	5	30	35	-13.191	13.191	-26.382	33,900.93
S. Galado	2.254	15	1.014	5	20	26.014	-8.76	6.24	-15	22,482.76
<b>Total</b>									<b>42.632</b>	<b>P57,456.75</b>

174. As shown in the above table, the total variance between the audited balances of leave credits of three (3) DOLE personnel totaled 42.632 man-days or an equivalent amount of Php57,456.75, the should be loss of the government had errors were not detected in audit.

175. *Effect adjustment/correction of the overstated leave credit balances of three DOLE employees due to non-deduction of the number of days monetized for six employees as well as the erroneous computation of accumulated leave credits for three employees; and ensure correct posting of the used leave credits in the leave cards to avoid loss to the government.*

176. In addition, the HRMO will ensure that that the required minimum of five days after grant of monetization is observed for future applications. Also, the HRMO will complete the review of all leave journals and corrections/adjustments for errors not later than May 30, 2016. The Chief of the Internal Management Services Division is also enjoined to monitor the compliance of the concerned personnel and ensure the implementation of the plan is achieved.

#### *Compliance with PD 1445 and related COA Rules and Regulations*

**Disbursements totaling Php1,230,853.06 for payment of expenses incurred in the conduct of various NRCO livelihood skills training in CY 2015 were not supported with the required supporting documents in violation of COA Circular 2012-001 and Section 4(6) of PD 1445. Thus, the validity and reliability of the transactions cannot be ascertained.**

177. COA Circular 2012-001 dated June 14, 2012 provides for the General Requirements for all types of disbursements which include among others, “Sufficient and relevant documents to establish the validity of claims”.

178. Moreover, Section 4(6) of PD 1445 enumerates the Fundamental Principles in which one of it states that “*Claims against government funds shall be supported with complete documentation*”.

179. Review of the disbursements vouchers for the CY 2015 procurement of Starter Kits used during the conduct of various livelihood skills training under the Balik Pinay! Balik Hanapbuhay! Project, consisting of thirteen (13) disbursement vouchers with the total amount of P 1,230,853.06, were paid even deficient in supporting documents, such as the activity accomplishments report, approved list of beneficiaries, attendance sheets and distribution lists, which are required documents to establish that indeed the items procured were accounted for and actually received by the beneficiaries. The details are presented in Appendix 7.

180. A letter dated February 4, 2016 was sent to the DOLE Regional Director attention the NRCO Regional coordinator requiring the submission of the documents cited-above as noted in the conduct of the audit. But as of date, the lacking documents were still not yet submitted to COA.

181. The deficiency was attributed to the weak internal control systems of the Agency in terms of ascertaining the completeness in supporting documents prior to the processing of the transactions.

182. Thus, the validity and propriety of the transactions cannot be ascertained.

183. ***Direct the Accountant and the NRCO Regional Coordinator to immediately submit the required supporting documents, such as, the Accomplishments Reports pertaining to all livelihood skills training conducted by DOLE Caraga as well as the attendance sheets and distribution lists with the signature of the program beneficiaries.***

184. The Management averred that the Body Massage Training were not yet undertaken for the reason that beneficiaries were already unavailable, others went abroad and some chose to change to other livelihood training as they felt necessary. They also informed us that the starter kits were still on hand in their office, including those other starter kits that were not yet claimed or soon to be delivered or awarded to our beneficiaries on the 2<sup>nd</sup> quarter of 2016 after they will undergo the required livelihood skills training to be conducted by an accredited trainer of TESDA.

185. Management further explained that the documents such as attendance sheets during the conduct of the training and awarding were already available and will be submitted to COA. Also, the Management asked for an extension to submit the distribution lists for the food processing and beauty care, for the reason that they are still looking for it because during the awarding, the OJTs were the one who took charge of it; the in-charge attended the other necessary activities of the awarding. But then the beneficiaries will be coming to claim their training certificates and will let them sign again the documents.

186. The NRCO Regional Coordinator shall ensure that all the relevant supporting documents like the distribution lists and accomplishment reports with pictures, among others are attached to all of its activities conducted.

**The grant and liquidation of cash advances of the four (4) Special Disbursing Officers of DOLE Caraga for the implementation of TUPAD Program in CY 2015 totaling P9,925,525.72 were not supported with the required supporting documents such as the project proposal template, work program, certifications, job service contract and accomplishment reports among others, as stipulated in Department Order No. 137-14 series of 2014, thus, the validity and propriety of the transactions cannot be ascertained, in violation of COA Circular 2012-001 and Section 4(6) of PD 1445.**

187. COA Circular 2012-001 dated June 14, 2012 provides for the General Requirements for all types of disbursements which include among others, “Sufficient and relevant documents to establish validity of claims”.

188. Likewise, Section 4(6) of PD 1445 enumerates the Fundamental Principles in which one of it states that “*Claims against government funds shall be supported with complete documentation*”.

189. Moreover, Section 18 of Department Order No. 137-14 series of 2014 also known as the “Guidelines in the implementation of the DOLE Integrated Livelihood and Emergency Employment Programs (DILEEP)” provides for the steps in accessing TUPAD Program as well as the required annexes, to wit:

- A. *The Regional Office/ Field Office in coordination with the proponent, shall undertake rapid profiling of displaced workers from the informal sector, and establishments with displaced workers, which would be the basis for the provision of assistance. Templates for the rapid profiling of displaced workers and summary profile forms are provided for as **Annexes H, I, J and K** of the above-stated Department Order.*
- B. *Based on the profiled beneficiaries, the concerned FO shall prepare and submit the following: (a) the project proposal and work program as prescribed in **Annex L**; (b) certification from LGU/ barangay that the target beneficiaries are unemployed/underemployed, or laid-off or terminated workers, or victims of natural disaster or armed conflict; and (c) the names, gender and addresses of target beneficiaries.*
- C. *The proponent LGU shall submit complete documentary requirements as provided under Section 3 of General Provisions of this Department Order.*
- D. *The RPMT shall review and evaluate the project proposal as to: (a) applicability of minimum wage; (b) completeness of work program; (c) provision of PPE; (d) orientation on safety and health; and inclusion of micro-insurance premiums.*
- E. *The RPMT shall endorse the reviewed/ evaluated project proposal to the DOLE Regional Director for approval.*
- F. *Once the proposal is approved, the RO shall post the project brief, together with the list of beneficiaries, in at least two (2) public places in the area where the TUPAD shall be carried out and prepare the corresponding group service/ job contract by and between the DOLE and displaced workers to formalize the workers’ employment as basis for the payment of wages as **Annex N**.*

190. For CY 2015, a total of P9,925,525.72 were granted and liquidated by the Special Disbursing Officers (SDO’s) in implementing the TUPAD Program for the payment of wages of the beneficiaries.

191. Verifications of the transactions however disclosed that the cash advances granted and liquidated by the four (4) SDO's were not supported with the required annexes and documentary requirements as stipulated in Section 18 of DO No. 137-14 above as follows:

- templates for the rapid profiling of displaced workers and summary profile forms such as Annexes H, I, J and K whichever is applicable were not attached
- 31/40 of the cash advances were not supported with Annex L which is the TUPAD Proposal Template
- 38/40 of the cash advances were not supported with L1 which is the Work Program
- 37/40 of the cash advances were not supported with completely filled up, signed and notarized group service/ job contract by and between the DOLE and displaced workers to formalize the workers' employment as basis for the payment of wages as Annex N
- 14/40 of the cash advances were not supported with certification from LGU/ barangay that the target beneficiaries are unemployed/underemployed, or laid-off or terminated workers, or victims of natural disaster or armed conflict
- 6/40 of the cash advances whose liquidation were not supported with accomplishment reports
- 20/40 of the cash advances whose liquidation were not supported with pictures

192. The complete details of the abovementioned deficiencies are presented in the attached Appendix 8.

193. Verbal inquiry with the Regional Program Focal Person disclosed that the templates for rapid profiling were only maintained in the field offices, the TUPAD Proposal Template and Work Program were prepared but were not attached in the cash advance voucher.

194. This office already made representation to the Management and demands for the submission of lacking supporting documents by giving them the lists of deficiencies noted, but as of date, we have not received any compliance from them.

195. In our assessment, the deficiencies noted can be attributed to the weakness in the internal control of the Agency in terms of strict enforcement of the provisions of Section 18 of DO No. 137-14 by requiring the SDO's to completely attached the required supporting documents before granting the cash advances and recording the liquidations in the books of accounts.

196. Thus, it hampered the immediate validation and verification of the transactions, as well as created doubts whether or not those documents were really prepared/ maintained by

the field offices. As a result, the validity and propriety of the transactions mentioned cannot be ascertained.

197. ***Direct the Accountant and the Regional and Field Offices TUPAD Program Focal Persons of the Emergency Employment (TUPAD) Program to immediately submit the lacking supporting documents as required in Section 18 of Department Order No. 137-14 series of 2014;***

198. ***Likewise, order the Accountant to ensure that all disbursement vouchers for the grant of cash advances under the TUPAD program shall be supported with complete supporting documents. Moreover, report of disbursements on the liquidation of cash advances under TUPAD program shall be supported with complete and proper documents as enumerated above.***

199. The Management has not yet commented on the above observation and recommendations.

**The Accountant failed to submit two hundred sixty eight (268) journal entry vouchers (JEVs) for the non-cash transactions and its supporting documents, under General Fund and Trust Funds, which include NCA received, supplies and materials issued, accounts payable set-up, TRA submitted to the BIR, corrections of errors, etc. amounting to P228,889,310.43 covering the period January to December 31, 2015, in violation of Section 100 and 122 of PD 1445, thus, the validity and propriety of the transactions cannot be ascertained.**

200. Section 100 of the Presidential Decree 1445 provides that:

***“Reports of disbursing officers in a government agency. – Disbursing officers in any government agency shall render monthly reports of their transactions pursuant to regulations of the Commission to be submitted not later than the fifth day of the ensuing month to the auditor concerned who shall conduct the necessary examination and audit within thirty (30) days from receipt thereof.”***

201. Likewise, Section 122 of Presidential Decree No. 1445 states that:

***“Whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative or personnel officers, and other responsible officials of the various agencies to submit trail balances, physical inventory reports, current plantilla of personnel, and other reports as may be necessary for the exercise of its functions.”***

***Failure on the part of the officials concerned to submit documents and reports mentioned herein shall automatically cause the suspension of payment of their***

*salaries until they shall have complied with the requirements of the Commission.”*

202. Review of the accounts and the non-financial transactions of DOLE 13 disclosed that the two hundred sixty eight (268) journal entry vouchers (JEV) for the non-cash transactions, except for liquidation of cash advances for Fund 101 and 111, amounting to Php228,889,310.43 for the period January to December 31, 2015 were not yet submitted to the Auditor concerned until February 24, 2016, the last day of audit field work. Please see attached Appendix 9 for details.

203. In our assessment, considering that above condition is kept on repeating, the failure to submit the required reports and documents is a clear defiance by the Accountant of the existing laws, rules and regulations, which is subject with administrative sanctions. It should be noted that timelines for the submission of reports/documents were communicated to you during the entrance conducted last August 18, 2015 for them to be aware of the deadlines in the submission to facilitate the conduct of a timely, systematic and effective review of all transactions recorded in the books, which impact on the determination of the accuracy of the accounts balance presented in the financial statements.

204. Thus, the accuracy of the recorded non-transactions in the books cannot be ascertained.

205. Moreover, the existing condition if not given attention and acted upon promptly would affect the fair presentation of the accounts in the financial statement, and likewise, in violation Section 122 of PD 1445.

206. ***Direct the Accountant to submit immediately the journal entry vouchers for all non-cash transactions recorded in the books together with its supporting documents to the Auditor concerned for examination. Failure to comply will be valid ground for the institution of appropriate administrative sanctions as provided for under Section 122 of PD 1445.***

207. ***Likewise, strict adherence to Section 100 and 122 of PD 1445 on the submission of the required monthly reports not later than 5<sup>th</sup> day of the ensuing month to the Office of the Auditor is hereby enjoined.***

208. The Management has not yet commented on the above observation and recommendations.

**Disbursement totaling Php3,806,208 under Fund 101 - Regular and Fund 111-PVB Trust, covered by ninety (90) disbursements vouchers and its supporting documents for the period May to December 31, 2015, were not yet submitted until January 31, 2016, which should have been submitted to the Auditor concerned not later than the fifth of the succeeding month as required under Sections 100 and 107 of P.D. 1445.**

209. Section 100 of the Presidential Decree 1445 provides that:

*“Reports of disbursing officers in a government agency. – Disbursing officers in any government agency shall render monthly reports of their transactions pursuant to regulations of the Commission to be submitted not later than the fifth day of the ensuing month to the auditor concerned who shall conduct the necessary examination and audit within thirty days from receipt thereof.”*

210. Moreover, Section 107 of the same decree further provides that:

*“Time and mode of rendering accounts. - In the absence of specific provision of law, all accountable officers shall render their accounts, submit their vouchers, and make deposits of money collected or held by them of such times and in such manner as shall be prescribed in the regulations of the Commission”.*

211. On audit of transactions of DOLE Caraga covering the period January to December 31, 2015 under Fund 101- MDS, Regular and Fund 111- PVB Trust Fund disclosed that ninety (90) disbursement vouchers and its supporting documents with the total amount of ₱3,806,208.13 were not yet submitted to COA as of January 31, 2016, as follows:

Period (2015)	MDS		PVB		Total	
	No.	Amount	No.	Amount	No.	Amount
May	1	42,950.00			1	42,950.00
Jun	5	1,341,830.00			5	1,341,830.00
Sep	11	953,459.45			11	953,459.45
Oct	2	47,176.76			2	47,176.76
Nov	3	32,932.65	2	56,324.00	5	89,256.65
Dec	63	1,317,246.43	3	14,288.84	66	1,331,535.27
<b>Total</b>	<b>85</b>	<b>3,735,595.29</b>	<b>5</b>	<b>70,612.84</b>	<b>90</b>	<b>3,806,208.13</b>

212. Despite the audit observation issued in CY 2014 and the representations made by the Audit Team with the DOLE Management during the entrance conference held last August 26, 2015 as regards the submission of reports and transactions, still the above-stated transactions remained un-submitted to COA until January 31, 2016, therefore, these were not covered in the CY 2015 audit of transactions.

213. Moreover, though un-submitted disbursements vouchers this year decreased from four hundred fifty seven (457) disbursement vouchers last year to only ninety (90) this year, still there are unaccounted disbursements, which should be submitted to COA immediately. This condition is an indication of weakness in the internal control systems of the Agency.

214. As a result, said transactions totaling P3,806,208.13 were not covered by audit due to the non-availability of the documents, thus, limited the scope of our audit. Moreover, the legality and propriety of the claims cannot be established.



215. *Direct the Accountant to submit financial reports and transactions within the period prescribed by Sections 100 and 107 of P.D. 1445 to facilitate timely review of transactions.*

216. *Henceforth, enforce appropriate administrative sanction to the Accountant and the Cashier for failure to render accounts of the disbursements' made totaling Php3,806,208.13, by withholding their salary until such time that they have fully complied the required submission of the DVs and its supporting documents, and to file appropriate administrative charge, if warranted, for the continuous defiance to the provisions of law and pertinent regulations.*

217. Sixty (60) disbursements vouchers (DVs) were already submitted as of March 7, 2016, a balance of 30 DVs.

**The Accountant failed to submit the financial statements for the quarter ending June 30, 2015 as required in Section 81 of PD 1445, thus verification and reconciliation of accounts cannot be facilitated, and the accuracy and reliability of Agency's financial records cannot be determined.**

218. Section 81 of the PD 1445 provides that interim financial statements shall be prepared and submitted quarterly with the Notes to Financial Statements, as follows:

- a. Statement of Income and Expenses ;
- b. Balance Sheet, and
- b. Statement of Cash Flows

219. With the adoption of the Philippine Public Sector Accounting Standards (PPSAS) effective January 2014, the components of financial statements comprises:

- A statement of financial position (Balance Sheet);
- A statement of financial performance (Statement of Income and Expenses)
- A statement of changes in net assets/ equity (Statement of Owners Equity);
- A cash flow statement (same);
- A comparative statement of budget and actual amounts (new);
- Notes to Financial Statements.

220. Records showed that DOLE RO XIII failed to submit the financial statements for the quarter ending June 30, 2015 as required by law and the existing regulations, despite representation by the undersigned to the Management and written communication to the Agency.

221. The deficiency could be attributed to the defiance of the concerned Agency Officials on the requirement of the law.

222. Consequently, the examination/review of the financial statements and the reconciliation of the account balances were delayed. This further resulted to delay in the detection of any possible errors in the financial statements.

223. *Direct the Accountant to submit the financial statements in a timely manner to facilitate immediate review and the reconciliation of the account balances.*

224. *Further, failure on the part of the Accountant and the Cashier to submit the financial reports and other required documents, as mentioned above, shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements of the Commission in accordance with paragraph (2) of Section 122 of P.D. 1445.*

225. The Accountant already submitted the December 31, 2015 Financial Statements on February 27, 2016.

226. Though the financial statement as of December 31, 2015 was submitted on February 27, 2016 but it was already late since the timeline for the submission of said report was February 14, 2016 as required by PD 1445. Moreover, submission of the financial statements for the quarter ending March 31, June 30 and September 30, 2015 were not submitted on time as required under NGAS Manual, Volume I.

#### *Compliance with NGAS*

**The Accountant failed to maintain the general ledgers (GL) to record its transactions, as required in Section 4 of the NGAS Manual Volume 1 and Section 11 of the NGAS Manual Volume II . As a result, the accuracy and completeness in the recording of transactions could not be ascertained, thus affect the fair presentation of the accounts in the financial statements.**

227. Section 4, paragraph (d) of the Manual on NGAS, Volume I states that:

*“Books of Accounts. All national agencies shall maintain two sets of books namely:*

*Regular Agency (RA) Books. Theses shall be used to record the receipt and utilization of Notice of Cash Allocation (NCA) and other income/receipts which the agencies are authorized to use and to deposit with Authorized Government Depository Bank (AGDB) and the National Treasury. These shall consist of journals and ledgers, as follows:*

#### *Journals*

- *Cash Receipts Journal (CRJ)*
- *Cash Disbursement Journal (CDJ)*
- *Check Disbursement Journal (CkDJ)*
- *General Journal (GJ)*

Ledgers

- **General Ledger (GL)**
- **Subsidiary Ledgers (SL) for:**
  - **Cash**
  - **Receivables**
  - **Inventories**
  - **xxxx**

228. Whereas, Section 11 of the Manual on NGAS, Volume II provides that:

*“General Ledger (GL). The General Ledger (Appendix 6) is a book of final entry containing accounts arranged in the same sequence as in the chart of accounts. Totals of columns in the special journals and the individual entries in the GJ are directly posted in this book. At the end of each month, the accounts are footed and at the end of each year, these are totaled, ruled and closed and the balance extracted to serve as the opening balance of the new fiscal year. Likewise, the account with balances shall appear in the trial balance.”*

229. Verification of the books of accounts disclosed that the Accountant of DOLE RO XIII did not maintain the general ledgers (GL) to record its transactions for the period January to June 2015.

230. Despite the representation made by the undersigned with Management, written communication and follow up requests requiring them to submit their GL to support the account balances in the trial balance they submitted, still, the Accountant did not submit as of this date which implied that he did not prepared and maintained such record.

231. As a result, the accuracy and completeness of the transactions were doubtful and could not be ascertained, thus affect the fair presentation of the accounts in the financial statements.

232. ***Direct the Accountant to maintain the general ledgers to record all their transactions covering the period January 1 to June 30, 2015 and onwards and submit to this office hard copy of the general ledger every June and December of each year.***

233. The Accountant already submitted the CY 2015 General Ledgers for audit.

**The Accountant failed to maintain the subsidiary ledgers (SL) for the accounts Cash Collecting Officer and Advances to Special Disbursing Officer, as prescribed in Section 12 of the NGAS Manual Volume 1. Thus, the accuracy and reliability of the account balances were doubtful and could not be ascertained.**

234. Section 12 of the Manual on New Government Accounting System (NGAS), Volume II provides for the Subsidiary ledgers.

*It states that “The Subsidiary Ledger (SL) is a book of final entry containing the details or breakdown of the balance of the controlling account appearing in the General Ledger (GL). Posting to the SL generally come from the source documents. The totals of the SL balances shall be reconciled with their respective control account regularly or at the end of each month. Schedules shall be prepared periodically to support the corresponding controlling GL accounts.”*

235. To facilitate prompt action in the implementation of programs and services by the provincial offices, the DOLE RO XIII appointed five (5) Special Disbursing Officers, per Office Order No. 015 series of 2014. One (1) in the regional office and one (1) for each of its four (4) field offices, were designated to handle the collections of DO18, RWA and Union Registrations as well as granted a cash advance for the payment of wages to Enumerators, Job Orders, GIP, and TUPAD beneficiaries.

236. Conduct of cash examination as well as verification of the books of accounts as of June 30, 2015 of the Regional Office and four (4) field offices of DOLE RO XIII, disclosed that the Accountant did not prepare and maintain the subsidiary ledgers of cash collecting officer account to record the collections and deposits of the accountable officers. It was also true for the account advances to special disbursing officer, wherein, grants and liquidations of cash advances have no subsidiary ledger to support the entries in the general ledger.

237. Absence of the aforementioned subsidiary ledgers caused delay in the preparation of the cash examination reports of DOLE RO XIII Regional Office and four Field Offices. Consequently, the examination/review by this Office of the transactions and the reconciliation of the account balances were, likewise delayed.

238. The above deficiencies could mean weakness in the internal control systems of the Agency because the failure of the Accounting unit to maintain subsidiary ledgers for the said accounts defeat the very purpose of requiring such records, which is to reconcile the totals of the SL balances with their respective controlling GL account regularly or at the end of each month, and to prepare schedules periodically to support the corresponding controlling GL accounts as presented in the trial balance and the financial statements.

239. As a result, the accuracy and reliability of the account balances were doubtful and could not be ascertained.

240. ***Direct the Accountant to maintain subsidiary ledgers to record the collections and deposits as well as the grants and liquidations of cash advances of the five (5) accountable officers in the Regional Office and in its four field offices.***

241. The Management commented and we quote: “The Accountant have averred that a complete detail of Schedule of Cash Advances to Special Disbursing Officers were

maintained and in fact regularly updated. Thus, accuracy and reliability of the account balances can be ascertained of. On the other hand, Cash Collecting Officers' Report of Collections and Deposits were prepared individually per SDO's of field offices which will help assure accuracy and reliability of account balances. However, we submit to the standard set by the Section 12 of NGAS Manual as to form of subsidiary ledger to be used in the preparation of Cash Collecting Officers account. Thus, we ask your good office to give us until Sept. 11, 2015 to be able to submit the required subsidiary ledgers for the two accounts."

242. The Schedule of cash advances and the Report of Collections and Deposits does not suffice the required subsidiary ledgers as required by NGAS. As of date, this Office has not received subsidiary ledgers for Cash Collecting Officer and Advances to Special Disbursing Officer.

*Compliance with RA 9184 and its IRR*

**DOLE Caraga procured common-use supplies totaling Php171,510.00 thru shopping mode from non- government suppliers instead of the DBM-Procurement Service as required in RA 9184 and its IRR, and supplemented by Administrative Order No. 17 dated July 28, 2011 and DBM Circular Letter No. 2011-6 dated August 25, 2011, thus, price more advantageous to the government were not obtained.**

243. Sec. 53 of RA 9184 (Procurement Reform Law) provides for the different modes of Negotiated Procurement; specifically, under (e) thereof, the following is its specific provision:

*"Subject to the guidelines specified in the IRR, purchases of Goods from another agency of the government, such as the Procurement Service of the DBM, which is tasked with a centralized procurement of commonly used Goods for the government in accordance with Letter of Instruction No. 755 and Executive Order No. 359, series of 1989."*

244. Corollary thereto, the IRR of RA 9184 also provides the following modes of procurement classified under Negotiated Procurement:

*"53.5 Agency-to-Agency. Procurement of infrastructure projects, consulting services, and goods from another agency of the GOP, such as the PS-DBM, which is tasked with a centralized procurement of Common-Use Supplies for the GOP in accordance with Letter of Instruction No. 755 and Executive Order No. 359, series of 1989. Xxx. The GPPB shall issue guidelines to implement this provision"*.

245. Likewise, Administrative Order No. 17 dated July 28, 2011 provides that:

*“Section 1.Reiteration of Policy. xxx In line with this, all agencies shall procure their common-use supplies from the PS and use the Phil GEPS in all their procurement activities, ...”*

246. In Addition, Sec. 4 thereof provides that *“Common-use supplies shall be procured directly from the PS or its depots without need of public bidding as provided in Section 53.5 of the Implementing Rules and Regulations (IRRs) of R.A. 9184.”* This provision was further emphasized in Paragraph 1.1 of DBM Circular Letter No. 2011-6 dated August 25, 2011 requiring that all procurement of common-use supplies without need for public bidding shall be made from the Procurement Service (PS).

247. Review of the transactions of the DOLE Caraga disclosed that the Agency procured commonly-used supplies thru shopping mode totaling P198,575.00 in CY 2015. It was further noted by comparing the Purchase Orders against the Certificate of Available Common-use Supplies and Consumables downloaded thru the PS-DBM website, that P171,510.00 were procured from non-government dealers instead of procuring directly from the DBM-Procurement Service, as required by the above-cited law and regulations. The details are in Appendix 10.

248. Inquiry with the concerned Agency personnel revealed that though they complied with the requirement to submit the APP-CSE to PS-DBM annually, but they prefer to purchase the supplies from outside suppliers because of low quality provided by PS- DBM. There were also times that the PS-DBM had no available stocks. However, Management is not precluded to specify in the Annual Procurement Plan (APP) for Common-use Supplies and Equipment (CSE) the complete specifications and quantity of supplies and equipment that they need, which shall be the basis of the Procurement Service in procuring the specified items from the suppliers.

249. The practice of purchasing common-use-supplies from the suppliers other than the Procurement Service is an indication of Agency’s non-adherence to the procurement law and the existing government procurement policies that aims to attain transparency, competitiveness, streamlined procurement process, and the system of accountability.

250. Thus, price more advantageous to the government were not obtained.

251. *Strictly adhere to the requirement of the law as regards the procurement of common-use supplies and consumables, and ensure that future procurement shall be made from the DBM- Procurement Service in compliance with RA 9184, and it’s implementing rules and regulations.*

252. *Likewise, direct the Accountant-Designate to attach Certificate of non-availability of stock from the PS-DBM as proof that there was no available stock as basis for procuring supplies from outside suppliers.*

253. The Management commented and we quote “The reason for the procurement of some common-use supplies from non-government suppliers were due to feedbacks from end-users as to the quality of some office supplies purchased from the PS. However, the Management is

now adhering to the requirements of the law as regards procurement of common-use supplies.”

### **Compliance with Tax Laws**

254. The DOLE-CARAGA considerably complied with EO No. 651 dated February 16, 1981 and its related rules and regulations. In CY 2015, total taxes withheld from employees compensation and from procurement of goods and services amounted to P3,358,997.36 and remitted the amount of P 3,306,776.90.

### **Gender and Development (GAD)**

251. For CY 2015, DOLE-CARAGA spent a total of P4,771,550.00 or 5% of their CY 2015 GAA for GAD programs/projects as reflected in its 2015 GAD Annual Accomplishment Report.

### **Compliance with GSIS Law**

252. For CY 2015, DOLE CARAGA complied with the existing law, rules and regulations particularly on the deductions of GSIS premiums from salaries of its employees and the remittances of these deductions to the GSIS in accordance with RA 8291.

### **Settlement of Accounts**

253. The Statement of Audit Suspensions, Disallowances and Charges as of December 31, 2015 is presented in the following table:

Particulars	Balance, Dec. 31,2014	This Period January 1 to December 31, 2015			Balance, December 31, 2015
		NS/ND/NC	NSSDC	NS Matured into Disallowance/ Adj.	
Notice of Suspension	₱3, 642,778.73*	₱ 10,000,614.28	₱ 4,745,434.73	₱ (439,975.00)	₱ 8,457,983.28
Notice of Disallowance	11,462,559.55	307,046.50	289,540.00	3,635,938.73	15,116,004.78
Notice of Charge			0	0	
<b>Total</b>	<b>₱15,105,338.28</b>	<b>₱10,307,660.78</b>	<b>₱ 5,034,974.73</b>	<b>₱ 3,195,963.73</b>	<b>₱ 23,573,988.06</b>

#### IV. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

254. We have evaluated the extent of implementation of the audit recommendations embodied in the CY 2014 Management Letter (ML) and in the previous years' MLs of the DOLE-Regional Office No. XIII. The status of implementation of these recommendations as of December 31, 2015 are shown below:

Status of Implementation	No. of Recommendations
Fully Implemented	19
Partially Implemented	43
Not Implemented	3
<b>Total</b>	<b>65</b>

255. The Action Plan Monitoring Tool is presented in Annex H.

#### V. ACKNOWLEDGMENT

256. We wish to express our appreciation to the Management and staff of DOLE-RO XIII for the cooperation and assistance extended to our audit team during the audit.

257. We would appreciate receiving your reply, both hard and electronic copies, within 60 days from receipt of this report, pursuant to Section 93 of the General Provisions of the General Appropriation Act of 2015 (RA No. 10651).

Very truly yours,

**MARITES A. ODTOJAN**  
State Auditor V  
Regional Supervising Auditor

Copy furnished:

**The Cluster Director**  
National Government Sector  
Cluster 5 – Education and Employment  
Commission on Audit  
Quezon City

**The Supervising Auditor**  
Department of Labor and Employment  
Commission on Audit  
Quezon City