



Republic of the Philippines
COMMISSION ON AUDIT
National Government Sector
Cluster 5 – Education and Employment
Office of the Supervising Auditor
Audit Group F - DOLE

April 10, 2014

ATTY. SIXTO T. RODRIGUEZ, JR.
Regional Director
Department of Labor and Employment- Region II
Tuguegarao City

Dear **Director Rodriguez**:

**Management Letter on the Audit of the
Department of Labor and Employment-Regional Office II
For the Calendar Year 2013**

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 No. 1445), we have audited the accounts and operations of the Department of Labor and Employment-Regional Office II (DOLE-RO II) for the period ended December 31, 2013. The audit was conducted in accordance with applicable legal and regulatory requirements, and generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted by the audit team led by Ms. Zenaida T. Aquino, State Auditor II to (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations.
3. The Agency's financial conditions, results of operations and cash flows as of December 31, 2013 are shown in the attached audited financial statements (Annexes A-E).
4. Deficiencies observed in the course of the audit were earlier communicated through Audit Observation Memoranda (AOMs) and discussed in an exit conference with concerned DOLE-RO II officials and employees on September 26, 2014. 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 2013.

A. INTRODUCTION

Agency Mandate

5. The DOLE started as a small bureau in 1908. It became a department on December 8, 1933 with the passage of Act 4121. It is the national government agency mandated to formulate and implement policies and programs, and serve as the policy-advisory arm of the Executive Branch in the field of labor and employment.

6. In line with the 1986 Constitutional mandate and the policies set forth in the National Development Plan, its mission is to promote social justice and protect human rights and respect for human dignity through the insurance of workers' protection and welfare; promotion of full employment and manpower development; maintenance of industrial peace; and enhancement of workers' participation in policy making. It consists of the Office of the Secretary, 7 bureaus, 6 services, 12 attached agencies, 36 overseas offices and 16 regional offices, one of which is DOLE-RO II.

Personnel Complement

7. The RO is under the leadership of Regional Director Sixto T. Rodriguez, Jr. and assisted by Assistant Regional Director Elpidio B. Atal, Jr. For CY 2013, it was manned by 77 permanent personnel including the 3 employees who are receiving their salary from the DOLE – NCR Region IV and 12 Job Orders assigned to the different divisions/units, namely: Internal Management and Service Division (IMSD); Technical Support Services Division for Employment and Welfare (TSSD I); Technical Support Services Division for Labor Relation and Standards (TSSD II); Mediation-Arbitration Unit; and Provincial Extension Offices of Batanes, Cagayan, Isabela, Quirino and Nueva Vizcaya.

Major Accomplishments

8. The DOLE-RO II reported the following significant accomplishments, among others, during CY 2013:

MFOs/PAPs/Key Service Indicators	Accomplishments		
	Target	Actual	%
MFO 1 :Job Research Assistance Services for Wage Employment			
A. Job Search Assistance Program			
1. Job search assistance through Public Employment Service Offices (PESOs)			
1.1 Job vacancies solicited/reported	15,000	19,555	130.37
1.2 Job applicants registered	18,150	24,979	137.37
1.3 Job applicants referred (Job Placement only)	15,500	17,355	111.97
1.4 Job applicants placed	11,903	15,031	126.28
1.5 Youth provided with bridging employment assistance	13,369	14,824	110.88
1.6 Job Fairs Conducted	40	49	126.28
1.6.1 Establishments/Employers participated	300	591	197.00

MFOs/PAPs/Key Service Indicators	Accomplishments		
	Target	Actual	%
1.6.2 Job vacancies solicited	25,000	46,285	185.14
1.6.3 Job applicants registered	7,000	9,507	135.81
1.6.4 Total applicants placed/hired on the spot (HOTS)	750	699	93.20
B. Labor Market Information (LMI) Program			
1. Labor market reports/publications prepared ,published and disseminated			
1.1 Individuals reached	43,585	63,136	144.86
1.2 Institution reached	170	298	175.29
C. Phil-JobNet			
1. Accredited and registered establishments	217	357	
2. Registered establishments posting vacancies	60	467	778.33
3. Vacancies solicited/posted	8,605	10,177	11.27
D. Capability-Building Program for Livelihood			
1. Trainin/Orientations conducted for PESOs	3	4	133.33
1.1 PESOs Covered	60	77	128.3
1.2 Participants	70	155	221.43
MFO 2: Capacity Building Program for Livelihood			
1. No. of workers provided assistance	2,500	2,848	111.69
MFO 3: Social Partnership Promotion and Dispute Resolution Resolution Services			
A. Dispute Prevention an Settlement Program			
1. Single Entry Approach (SENA Cases)			
1.1 Handled RFAs	90% DR	223	97.76%
1.2 Participants	70% SR	152	79.82%
B. Workers Organization Program			
1. Registration of workers organizations/associations			
1.1 Newly registered workers organization	100	216	216.00
1.1.1 Membership	2,500	8,227	331.00
C. Continuing Labor and Employment Education (CLEEP) Program			
1. Labor Relations, Human Relations and Productivity (LPH)			
1.1 LHP Advocacies conducted	50	48	96.00
1.1.1 Companies covered	50	48	96.00
1.2 LHP seminars conducted	30	32	106.67
1.2.1 Companies Covered	30	32	106.67
1.2.2 Participants			
2. Continuing Labor Education Seminars (CLES)			
2.1 Seminars conducted	80	84	105.00
2.1.1 Companies Covered	720	609	84.58
2.1.2 Participants	2,160	2843	131.62
3. Labor Education for Graduating Students (LEGS)			
3.1 LEGS conducted	70	68	97.14
3.1.1 Schools/Institutions covered	70	68	97.14
3.1.2 Students covered	14,000	17,007	121.48
MFO 5:Services to Safeguard Fair and Just Terms and Conditions of Employment			
A. Employment Regulation Program			
1. Contractors/Sub-contractors registered	15	31	206.67
2. AEPs Issued	250	548	219.20
B. Labor Standards Enforcement Program			
1. Self-Assesment			
1.1 Unionized establishments with registered CBAs given checklist	13	13	100
1.2 Unionized Estabs. w/ registered CBAs submitted check	13	13	100

MFOs/PAPs/Key Service Indicators	Accomplishments		
	Target	Actual	%
2. Inspection Approach			
2.1 Establishment inspected	1,018	1,164	114.34
3. Training and Assistance Visits (TAVs) Approach			
3.1 Establishments invited to orientation	600	693	115.50
3.2 Orientation / Kapatiran courses conducted	17	18	105.88
3.3 Participating establishments	510	543	106.47
MFO 6: Social Protection and Welfare Services			
A. Social protection Program for Workers in the Informal Economy (WIE)			
1. WIE facilitated enrollment to government's various social	2,000	702	35.10
B. Family Welfare Program(FWP)			
1. Establishments serviced	10	6	60.00
2. Workers Provided FWP related services/s activities	1,500	1,216	81.07
2.1 Establishments covered	10	6	60.00

Financial Profile

9. The RO's financial condition, results of operations, and sources and uses of funds for CY 2013 and 2012 are presented below:

Particulars	CY 2013	CY 2012	Increase(Decrease)
A. Financial Condition			
Assets	₱55, 247,179.33	₱48,614,334.68	₱ 6,632,844.65
Liabilities	7,336,971.26	4,258,810.77	3,078,160.49
Government Equity	47,910,208.07	44,355,523.91	3,554,684.16
B. Sources of Funds			
Subsidy from National Government-Net	97,514,705.65	87,725,971.64	9,788,734.01
Other Income	0.00	0.00	0.00
Total Income	97,514,705.65	87,725,971.64	9,788,734.01
C. Application of Funds			
Personal Services	40,344,388.90	36,857,883.54	3,486,505.36
MOOE	43,810,459.18	33,380,274.00	10,430,185.18
Total Expenses	84,154,848.08	70,238,157.54	13,916,690.54
Excess of Income over Expenses	13,359,857.57	17,487,814.10	(4,127,956.53)

B. SUMMARY OF RECOMMENDATIONS

10. For the significant deficiencies noted in the course of audit, we recommended that Management:

- a. Revert the balance of Special Program for the Employment of Students (SPES) Account to the National Treasury; ensure that disbursements

pertaining to the fund transfers to Land Bank of the Philippines (LBP) are supported with adequate documentations; and secure authority or approval from the Permanent Committee for maintaining a trust fund account, otherwise, discontinue the practice of transferring Modified Disbursement System (MDS) funds to the said LBP Current Account.

- b. Direct all concerned officers and employees to submit immediately the proper accounting of expenditures to settle their unliquidated cash advances for travel, project expenses and payroll advances made by the Cashier, otherwise, cause the withholding of salaries pursuant to COA Circular No. 97-002 dated February 10, 1997.
- c. Instruct the Cashier to locate the missing checks and in the event that these can no longer be located/presented, a request for relief from accountability for the loss of accountable forms shall be made in accordance with the requirements under COA Circular 84-233 dated August 2, 1984; Take appropriate action against the Cashier for failure to account missing accountable forms under her custody despite various reminders and follow-ups.
- d. Issue at least three consecutive demand letters to loan borrowers; send follow-up demand letters and evaluate responses as basis in making appropriate decision; for those where recovery is really remote or nil, require the accountant to initiate course of action necessary to have the accounts written off; and require the Balikatan, Kaunlaran Foundation to return immediately the amount of ₱100,000.00 including interests in order to settle its outstanding loan account.
- e. Issue final demand letters to LGUs and NGOs/POs concerned requiring them to submit immediately the Reports of Checks Issued/Reports of Disbursements (RCIs/RDs) or Fund Utilization Reports. Otherwise, require the refund of the amount granted if the submission of the required Liquidation Report is no longer possible or nil.
- f. Require the created monitoring team at the provincial level to closely monitor and conduct frequent inspection of project implementation and submit the required status report of project implementation and liquidation reports, and the Technical Services Support Division (TSSD) to also conduct periodic validation of the projects based on the monitoring reports submitted by the provincial team to ensure delivery of goods and services to intended beneficiaries.
- g. Instruct the Accountant to restore the amount of ₱400, 000.00 to the Due from NGOs/POs, and immediately issue demand letters requiring the immediate submission of the fund utilization/liquidation reports in the event

that the accounts have already been past due. If not complied, same should be forwarded to the legal for appropriate action; and

- h. Institute legal action against defaulting LGUs and NGOs/POs which failed to complete projects covered by Memorandum of Agreement (MOA), or for a material violation of the provisions of the MOA or COA Circular 2007-001, and in any of these cases, its subsequent disqualification from applying for another project in other Government Office/Agency.
- i. Instruct the Designated Supply Officer to exclude from the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) obsolete and unserviceable PPE and prepare the Inventory and Inspection Report for Unserviceable Property (IIRUP) and submit a copy to COA for inspection and eventual appraisal and disposal; require the Accountant to reclassify unserviceable PPE to the Other Assets account and make appropriate adjustments on the erroneous depreciation provided for unserviceable properties; and immediately act on equipment that need repair and if found to be beyond economical repair, for their proper disposition.
- j. Comply with the prescribed mode for the payment of salaries of student-beneficiaries. Refrain from implementing other modes of payment without covering revisions/amendments to RA 9547.
- k. Ensure that student beneficiaries are paid their 40% salaries within the 11-day prescribed period; require the employers, PESO and DOLE-RO II to perform their duties and responsibilities within the period provided in the IRR of RA 9547 for the payment of the 40 percent share of DOLE; require the TSSD and DOLE-RO II Field Offices to closely monitor the PESOs to ensure that the list of SPES checks were actually posted and student beneficiaries were informed of their claims; and instruct the Accounting Unit to exclude from the payrolls under processing those students with inadequate documentation/deficiencies while the necessary requirements are being completed in order not to deprive the complying students the timely payment of their 40% salaries.

C. DETAILED OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL AND COMPLIANCE

Unauthorized fund transfers

Funds amounting to ₱24,156,459.56 from Cash-National Treasury, MDS account were transferred to account Cash-In-Bank-Local Currency, Current Account-Special Program for Employment of Students without complete supporting documents to establish the existence of the claim, thus a clear manifestation of

circumventing the lapse of funds, in violation of Sections 2 and 3 of Executive Order NO. 338 and Section 3.1 of Department Budget and Management Circular Letter No. 2011-15, thus, defeating the government objective of maximizing the use of the government's scarce resources.

11. Section 2 of Executive Order (EO) No. 338 dated May 17, 1996 directs all government offices and agencies to immediately transfer all public monies deposited with depositary banks and other institutions to the National Treasury regardless of income source while Section 3 of the same EO provides that disbursement shall be made by means of separate Modified Disbursement System (MDS) check series subject to the issuance of a Notice of Cash Allocation (NCA) and in accordance with the existing accounting and auditing rules and regulations.

12. In addition, Section 3.1 of Department Budget and Management Circular Letter No. 2011-15 dated December 26, 2011 requires that effective January 1, 2012, all NCA releases for regular MDS accounts, whether comprehensively released or additional releases, shall be credited for the month programmed, and shall be valid only until the last working day of the said month. Thus, any unutilized NCA corresponding to the book balance shall automatically lapse at the end of that month.

13. Analysis of Cash- National Treasury, MDS account for CY 2013 disclosed the practice of the agency of transferring the SPES funds under the MDS Account to Cash-In- Bank- Local Currency, Current Account (LCCA)- LBP Current Account No.0122-1199-71.

14. As of December 31, 2013, the Subsidiary Ledger balance of LBP Current Account No. 0122-1199-71 amounted to ₱1,882,949.98. During CY 2013, the total SPES funds transferred to the LBP Current Account amounted to ₱20,975,584.41 excluding the beginning balance amounting to ₱3,110,215.41, as shown in the following table:

Checks			Deposit/Transfer	
Date	Check No.	Amount	Date	Amount
1/31/13	1752544	₱ 3,453,754.42	02/12/13	₱ 3,453,754.42
2/28/13	1752726	62,921.34	03/04/13	62,921.34
3/27/13	1814617	2,838,513.58	04/12/13	2,838,513.58
4/30/13	1814855	1,504,615.13	05/14/13	1,504,615.13
5/31/13	1815095	3,341,335.38	06/14/13	3,341,335.38
6/28/13	1815277	2,443,407.84	07/12/13	2,443,407.84
7/31/13	1815493	922,249.93	08/14/13	922,249.93
	1815494	555,000.00		555,000.00
8/31/13	1856690	3,105,158.41	09/03/13	3,105,158.41
9/30/13	1856929	760,827.64	10/08/13	760,827.64
10/31/13	1857168	86,820.74	11/13	86,820.74
11/29/13	1857405	156,243.92	12/16/13	156,243.92
12/26/13	1881904	1,744,736.08	01/02/14	1,744,736.08
Total		₱20,975,584.41		₱20,975,584.41

15. Review of Disbursement Vouchers (DVs) covering the transfer of funds disclosed that there were no supporting documents attached. Inquiry from the Regional Accountant was made and he explained that the amount transferred to the SPES account was based on the reports submitted by the TSSD and the balance of the MDS account at the end of the month. He further justified that the amount did not exceed the pledges received by the Region in preparing the disbursement voucher for the transfer of funds.
16. The practice is an assurance for the agency to have a ready fund for the payment of SPES beneficiaries since there are those whose claims have incomplete supporting documents. These will be paid only upon completion of documentary requirements.
17. The issuance of check to transfer the funds is a form of disbursement, thus, requiring complete supporting documents. Hence, these disbursements did not constitute valid obligations and justify the drawing of checks for that purpose. As such, these transactions are clear manifestation of circumventing the lapsing of funds which is contrary to Section 3.1 of Department Budget and Management (DBM) Circular Letter No. 2011-15 dated December 26, 2011.
18. The obligation of the allotment is a prerequisite to the drawing of the check against the MDS Account. Section 14 of the Manual on the New Government Accounting System (MNGAS), Volume 1 states that obligation is a commitment by a government agency arising from an act of a duly authorized official, which binds the government to the immediate or eventual payment of a sum of money. The agency is authorized to incur obligations only in the performance of activities, which are in pursuit of its functions and programs authorized in appropriation acts/s laws within the limit of the Allotment Release Order.
19. Further, DBM Circular Letter No. 2004-2 dated January 26, 2004, expounded the issue by stating that a commitment or obligation of the national government shall be considered valid and legal if committed or incurred within the prescriptive period of the covering allotments, is covered by an approved contract and with the specific name of the creditor/ supplier identified.
20. The transfer of funds from MDS Account to the LCCA Account to avoid the automatic reversion of the unutilized/ excess funds sourced from NCA release hindered the National Treasury to maximize the use of scarce government resource by minimizing government borrowings and rationalizing cash management and deprives the government of using these funds to finance its priority programs and expenditures.
21. Management explained that funds were transferred from MDS Account to SPES Account in compliance with Administrative Order (AO) No. 39 issued on January 18, 1996 by former DOLE Secretary Leonardo A. Quisumbing. The AO provides the guidelines and procedures to simplify the process thru issuance and payment of education cum checks of SPES transactions. It stipulates, among others that:

- Section 1.1- *For this purpose, all Regional Offices (ROs) shall open and maintain an account with LBP of the Philippines. They shall transfer the SPES funds released to them to any LBP branch nearest to the Regional Office. A Memorandum of Agreement has been forged with LBP for the nationwide accommodation/ encashment of all APES education vouchers cum checks issued to students or educational institutions. The ROs shall furnish the Financial and Management Service their bank account number and the address of the Land Bank branch where they opened their account on or before January 31, 1996.*
- Section 1.2- *For initial requisition, pre- numbered education voucher cum check shall be printed thru Land Bank of the Philippines in behalf of DOLE Central Office for distribution to the ROs, Subsequently requisitions however, shall be made by the ROs thru their respective LBP drawee bank. The education voucher cum check shall be valid for one year and encashable in any land Bank branch nationwide.*

22. However, on January 2, 1997, Joint COA-DNM- DOF Circular No. 1-97 was issued to provide the guidelines for the transfer by national government agencies of all cash balances to the National Treasury. Thus, the maintenance of SPES bank account is contrary to the foregoing laws, rules and regulations unless authority or approval for maintaining thereof from the Permanent Committee has been secured.

23. **We recommended that Management revert the balance of SPES Account to the National Treasury; ensure that disbursements pertaining to the fund transfers to LBP are supported with adequate documentations; and secure authority or approval from the Permanent Committee for maintaining a trust fund account, otherwise, discontinue the practice of transferring MDS funds to the said LBP Current Account.**

Unliquidated Cash Advance

Of the balance of account Advances to Officers and Employees (148) amounting to ₱252,640.07, ₱79,625.07 remained unliquidated for 91 days to over 10 years as of December 31, 2013 contrary to Section 89 of PD 1445 and COA Circular No. 97-002 dated February 10, 1997. Thus, the accuracy of the balance of Advances to Officers and Employees account and related expense accounts at year-end becomes doubtful.

24. Section 89 of PD 1445 requires that a cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. On the other hand, COA Circular No. 97-002 dated February 7, 1997 provides the periods within which the Accountable Officer shall liquidate his cash advances, to wit:

- Salaries and wages, etc. - within five (5) days after each fifteen (15) day/end of the month pay period.

- Petty Operating Expenses and Field Operating Expenses - within twenty (20) days after the end of the year; subject to replenishment as frequently as necessary during the year.
- Official Travel - within sixty (60) days after return to the Philippines in the case of foreign travel or within thirty (30) days after return to his permanent official station in the case of local travel, as provided for in EO 248 and COA Circular No. 96-004.
- When a cash advance is no longer needed or has not been used for a period of two (2) months, it must be returned to or refunded immediately to the collecting officer.
- All cash advances shall be fully liquidated at the end of each year. Except for petty cash fund, the AO shall refund any unexpended balance to the Cashier/Collecting Officer who will issue the necessary official receipt.

25. The DOLE-RO grants cash advances to its officers and employees for traveling expenses, training expenses and for payment of expenses incurred for Air campaign, 80th DOLE Anniversary and other work-related expenses. As of December 31, 2013, the total unliquidated cash advances granted to DOLE-RO personnel amounted to ₱252,640.07, of which ₱192,555 pertained to current year transactions while ₱60,085.07 represent prior years' balances. The details are shown below:

Date Granted	Name	Particulars	Amount
Prior to CY 2013			
8/10/00	Crispin Dannug	Training/Meeting with NGOs	₱ 37,000.00
1992	Wesley Gacutan	Air Campaign	23,085.07
Sub-total			60,085.07
CY 2013			
8/12/13	Jose Amansec	TEV – Quezon City – LCCO	7,280.00
9/13/13	Lea Macarubbo	TEV – Sept. 23-28 – Tacloban	5,980.00
9/13/13	Liezel Magno	TEV – Sept. 23-28 – Tacloban	6,280.00
12/4/13	Judith B. Macarubbo	For executive planner notebook for TSSD Local Executives Seminar	6,015.00
12/4/13	Judith B. Macarubbo	For 80 th DOLE Anniversary	15,000.00
12/20/13	Judith B. Macarubbo	PESO Managers Incentive	152,000.00
Sub-total			192,555.00
Total			₱252,640.07

26. It is noteworthy that there was a significant improvement in the liquidation of cash advances as the Cash Advances to Officers and Employees account balance of last year of ₱977,978.63 went down to ₱252, 640.07 as of December 31, 2013, or a 74 percent decrease on the unsettled amount. However, aging of the balance of ₱252,640.07 showed that ₱79,625.07 or 31.52 percent were already past due as these remained unliquidated for 91 days to more than 10 years the details of which are presented in the following table:

Aging	Amount	Percentage
Current		
Less than 30 days	₱ 173,015.00	68.48
Sub-total	173,015.00	68.48

Aging	Amount	Percentage
<i>Past due</i>		
91-365 days	19,540.00	7.74
Over 10 years	60,085.07	23.78
Sub-total	79,625.07	31.52
Total	₱252,640.07	100.00

27. The account balances of Mr. Crispin Dannug and Wesley Gacutan, who were no longer with DOLE-RO II in the amount of ₱37,000.00 and ₱23,085.07, respectively, remained unsettled for more than ten years.

28. Management sent demand letters to Directors Wesley Gacutan and Mr. Crispin Dannug for the past three years for the immediate liquidation of said cash advances. As there were no actions taken by these DOLE personnel, letters were sent by Management addressed to the head of office where they are presently assigned for information and immediate action. However, there was no reply received up to this writing.

29. The non-liquidation of cash advances within the prescribed period did not allow for the proper recording of the expenses that are to be paid from the cash advances. Hence, the accuracy of Advances to Officers and Employees account balance of ₱252,640.07 and related expense accounts at year-end becomes doubtful.

30. **We recommended that Management:**

- **Direct all concerned officers and employees to submit immediately the proper accounting of expenditures to settle their unliquidated cash advances for travel, project expenses and payroll advances made by the Cashier, otherwise, cause the withholding of salaries pursuant to COA Circular No. 97-002 dated February 10, 1997;**
- **Comply strictly with the regulations/requirements of COA Circular No. 97-002 dated February 10, 1997 to avoid accumulation of long outstanding balances; and**
- **Send follow-up demand letters to DOLE personnel who are no longer assigned in DOLE-RO II. Request their present DOLE office assignment to deduct from their salaries the amount due from them.**

31. Management informed that it is trying its best to monitor the cash advances of employees which had improved the percentage of liquidation. For those who are still in service but assigned to other regions, a letter was sent to FMS-Central Office for information on the unliquidated cash advance for information and appropriate action.

Unaccounted/missing SPES Checks

The 41 pieces SPES checks with serial numbers 1702060-1702100 which were reported as on hand by Ms. Judith B. Macarubbo, Cashier but not actually found on hand during the conduct of cash examination on December 28, 2010 remained unaccounted as of December 31, 2013.

32. The Monthly Report of Accountability for Accountable Forms (MRAF) as of December 28, 2010 submitted by the Cashier showed among others a balance of 41 pieces SPES checks, however, these were not presented during the count of accountable forms on December 28, 2010. We made several follow-ups from the Cashier to locate/account the missing checks. However, she was not able to produce the same up to this time.

33. According to the Cashier, she was not aware of these unaccounted checks. It was only when we conducted the actual count of accountable forms during the cash examination that the Cashier knew that the 41 checks were missing. This was attributed to the non- preparation of the MRAF since CY 2005.

34. The MRAFs were regularly submitted by the Cashier, however, the 41 checks still remained missing/unaccounted and but still being reported as carried over balance of unused accountable forms as of this date.

35. Section 98 of the Government Accounting and Auditing Manual (GAAM), Volume 1 requires accountable officers to render a report to the COA Unit Auditor on their accountability for accountable forms at least once a month in the prescribed form.

36. Likewise, there is no corresponding notice of loss of accountable forms submitted by the Cashier as required under Section 100 of the GAAM, Volume I, which states that:

“Any loss of accountable forms in the custody of accountable officers shall be reported by accountable officers concerned to the head of the agency. The latter shall at once issue a circular or notice of such loss for the information and guidance of all concerned to prevent the possible fraudulent use of such accountable forms. The notice to be issued shall specify the kind, quantity and inclusive serial numbers of the lost accountable forms and the place or places where, and approximate date or dates when the same were lost.

Compliance with the foregoing provisions shall be one of the requirements in the request for relief from accountability for the loss of accountable forms (COA Cir. 84-233, August 2, 1984)”.

37. This deficiency had been reported in the Audit Reports for the past three years. However, no action was taken to address the audit recommendations. The audit team

inquired from the Cashier on the development of the recommendations and informed that a request was made from the LBP on the status of any issuance from the checks bearing those serial numbers. Based on the Bank Statements from the LBP, there was no issuance made.

38. It was further gathered that Management had requested for a certification from the LBP- Tuguegarao Branch. However, it will still wait for the reply since said certification will come from the LBP-Main Office.

39. The SPES fund accountability was transferred to Ms. Sophia E. Matote. She was designated as acting Disbursing Officer for SPES fund effective April 11, 2011

40. **We reiterated our prior year audit recommendation that Management:**

- **Instruct the Cashier to locate the missing checks and in the event that these can no longer be located/presented, a request for relief from accountability for the loss of accountable forms shall be made in accordance with the requirements under COA Circular 84-233 dated August 2, 1984.**
- **Take appropriate action against the Cashier for failure to account missing accountable forms under her custody despite various reminders and follow-ups.**
- **Request from the LBP a certification on the status of the missing checks to form part as one of the supporting documents on the request for relief of accountability.**

41. Management informed that since based on the bank statements received from LBP that the missing checks were not indeed used, the Cashier is hoping for the grant of her request for relief from accountability.

Dormant/non-moving loans receivable

The Loans Receivable (126) account balance as of December 31, 2013 totaling ₱5,562,193.05 represents loans granted to 75 organizations which remained uncollected/dormant for the past 13 to 19 years, thus affecting the reliability of the financial statements.

42. Analysis of the Loans Receivable account balance of ₱5,562,193.05 as of December 31, 2013 disclosed that the balance represents outstanding loans of 75 loan associations which remained unpaid for the past 15 to 21 years, as presented in the following table:

CY Granted	Province	No. of Associations	Amount
1993	Cagayan	4	₱ 414,659.28
	Isabela	1	42,165.31
	NuevaVizcaya	5	97,452.48
	Sub-total	10	554,277.07
1994	Batanes	1	301,129.46
	Cagayan	4	554,111.43
	Nueva Vizcaya	2	80,418.17
	Sub-total	7	935,659.06
1995	Batanes	10	790,499.06
	Cagayan	4	390,900.85
	Isabela	9	1,002,288.35
	Nueva Vizcaya	2	102,275.21
	Quirino	1	70,600.00
	Sub-total	27	2,356,563.47
1996	Batanes	2	173,076.46
	Cagayan	10	389,138.84
	Isabela	6	356,312.44
	Nueva Vizcaya	5	307,234.49
	Quirino	4	238,073.09
	Sub-total	26	1,463,835.32
1997	Nueva Vizcaya	2	110,821.92
	Quirino	1	56,536.21
	Sub-total	3	167,358.13
1998	Nueva Vizcaya	1	45,000.00
	Quirino	1	39,500.00
	Sub-total	2	84,500.00
Total		75	₱5,562,193.05

43. This issue on long outstanding loans receivable had been raised in previous audit reports. As partial compliance with the audit recommendations, the RO had instructed the Field Offices to submit Status of Loans Receivable within their area to intensify collections. With this effort, the RO was able to collect a total of ₱121,865.70 from five organizations as of December 31, 2013. The amount collected was only 2.19 percent of the account balance of ₱5,562,193.05. During the year, interest due amounted to ₱378,465.12.

44. As reported in the CY 2011 Annual Audit Report, among the unpaid loans granted in 1995 was the loan of ₱100,000.00 granted to Balikatan Kaunlaran Foundation located in Sabtang, Batanes which was released under DBP Check No. 600445 dated March 8, 1995. In reply to the demand letter dated May 4, 2011 of the RO, one of the officers of the foundation informed the RO that the amount was still intact at LBP-Basco, Batanes. It was not utilized for the intended purpose due to the non-processing of the requirements needed in the registration of the business as the RO was not able to assist the foundation in such undertaking.

44. However, as of this date, the amount has not been returned by the foundation to the RO to settle the loan. As such, the loan remained unsettled for more than 18 years as of December 31, 2013.

45. The Regional Director assured the audit team that the RO will make representations with LBP-Basco, Batanes Branch for the possible withdrawal of the amount including interest earned and remit the same to the Bureau of the Treasury.

46. Apparently, Management had not exerted utmost efforts to enforce repayment of loans from the borrower-associations. The Accountant informed the audit team that most of the demand letters were returned to sender and some projects are non-existent. Thus, the existence of dormant accounts affected the reliability of the financial statements.

47. We reiterated our previous audit recommendations that Management issue at least three consecutive demand letters to loan borrowers. Send follow-up demand letters and evaluate responses as basis in making appropriate decision. For those where recovery is really remote or nil, require the accountant to initiate course of action necessary to have the accounts written off. It was also recommended that Management require the Balikatan Kaunlaran Foundation to return immediately the amount of ₱100,000.00 including interests in order to settle its outstanding loan account.

Unliquidated funds transferred to LGUs

Fund transfers to LGUs and NGOs/POs amounting to ₱16,755,157.62 and ₱3,161,235.88, respectively, for the implementation of livelihood projects remained unliquidated for six months to over three years as of December 31, 2013 due to inadequate monitoring of project implementation and laxity in the enforcement of the provisions of COA Circular Nos. 94-013 and 2007-001 dated October 28, 2007, and MOAs between the DOLE and the LGUs/NGOs/POs, resulting in the difficulty of ascertaining the proper utilization of funds and doubtful validity of the reported balance of receivable from LGUs and NGOs of ₱22,403,863.30 as of the same period.

48. The DOLE-RO I had been allocating funds to its Accredited Co-Partners (ACPs) for the implementation of various livelihood projects through the LGUs and NGOs/POs, among others, under the DOLE Integrated Livelihood Program (DILP). Funds are transferred to qualified NGOs/POs to finance the livelihood projects. The fund transfers are subject to liquidation and reporting of disbursements and recorded as Due from LGUs (Account 138) and Due from NGOs/POs (Account 139), where appropriate.

49. Section 4.6 of COA Circular No. 94-013 dated December 13, 1994 requires that within ten (10) days after the end of each month/end of the agreed period of the project, Implementing Agency (IA) shall submit to the Source Agency (SA) the Report of Checks Issued (RCI) and the Report of Disbursement (RD) to report the utilization of funds. Only actual projects expenses shall be reported and the audit report shall be signed by the Head of IA.

50. On the other hand, COA Circular No. 2007-001 dated October 25, 2007 provides the revised guidelines in the granting, utilization, accounting and auditing of the funds released to NGOs/POs. Section 5.4 of this Circular specifically states, among others, that within sixty (60) days after the completion of the project, the NGO/PO shall submit the Final Fund Utilization Report certified by its Accountant and approved by its President/Chairman to the Government Organization (GO), together with the inspection report and certificate of project completion rendered/issued by the GO, list of beneficiaries with their acceptance/acknowledgement of the project/funds/goods/services received.

51. Likewise, the Memorandum of Agreement (MOA) between DOLE RO I and the ACP/Beneficiary/NGOs/POs provides that the duration of the implementation of the project shall be within 60 days but not to exceed six (6) months from the receipt of Notice to Proceed, subject to adjustments upon written request of the Proponent and upon written approval of the DOLE. Project implementation shall commence within fifteen (15) working days upon receipt of the Notice to Proceed from DOLE and the first tranche of the fund assistance.

52. As of December 31, 2013, the balances of the two accounts amounted to ₱22,403,863.30 or an increase of ₱2,656,233.08 compared to last year's balance ₱19,747,630.22, as presented below:

Account	Balances		Increase/ (Decrease)
	CY 2013	CY 2012	
Due from LGUs	₱18,942,627.42	₱16,113,084.37	₱2,829,543.05
Due from NGOs/POs	3,461,235.88	3,634,545.85	(173,309.97)
Total	₱22,403,863.30	₱19,747,630.22	₱2,656,233.08

53. Results of audit disclosed that of the unliquidated balance as of December 31, 2012 for Due from LGUs amounting to ₱16,113,084.37 consisting of outstanding balances of 63 ACPs, only ₱5,859,436.25 representing accounts of 19 ACPs or 36.36 percent was liquidated, while for Due from NGOs/POs with an unliquidated balance as of last year of ₱3,634,545.85 representing accounts of 28 beneficiaries, only ₱1,159,716.00 representing accounts of four beneficiaries or 31.91 percent was liquidated.

54. For CY 2013, funds transferred by the RO to LGUs amounted to ₱10,697,627.80 (for 41 ACPs) of which ₱890,971.00 (for five ACPs) or 8.33 percent was liquidated. On the other hand, of the ₱1,444,405 released to NGOs/POs (for 6 organizations), ₱458,000.00 was liquidated during the year.

55. Analysis likewise showed that of the unliquidated balances as of December 31, 2013, ₱16,755,157.62 or 88.45 percent remained outstanding for six months to over three years for the Due from LGU account while ₱3,161,235.88 or 91.33 percent remained outstanding for six months to over three years for Due from NGOs/POs account, as shown in the following table:

Balance as of 12/31/13 (a)	Aging					Total (g=c+d+e+f)	% (h=g/a)
	Below 6 Months (b)	6 Months to Less than 1 Year (c)	1 Year to Less Than 2 Years (d)	2 Years to Less Than 3 Years (e)	3 Years and Over (f)		
<i>Due from LGUs</i>							
₱18,942,627.42	₱2,187,469.80	₱6,779,187.00	₱2,432,000.00	₱1,193,000.00	₱6,350,970.62	₱16,755,157.62	88.45
<i>Due from NGOs/POs</i>							
3,461,235.88	300,000.00	686,405.00	230,647.00	500,000.00	1,744,183.88	3,161,235.88	91.33
₱22,403,863.30	₱2,187,469.80	₱6,779,187.00	₱3,649,052.00	₱1,193,000.00	₱8,595,154.50	₱20,216,393.50	90.24

56. The balance of the accounts had accumulated to such huge amounts due to the non-submission of the required RCIs and/or RDs by the LGUs and Fund Utilization Reports by the NGOs/POs to settle their accounts. Apparently, The DOLE-RO II was unable to closely monitor and inspect project implementation which would ensure compliance with the provisions of the MOA and said COA Circulars.

57. Moreover, the non-enforcement of the prescribed timeframe for the submission of the required liquidation/fund utilization reports as stipulated in the MOA and the absence of sanctions imposed on delinquent NGOs/POs also contributed to the extreme delay or non-submission of liquidation or fund utilization reports. As a result, evaluation on the extent of project implementation could not be undertaken.

58. It was also noted that as of year-end, demand letters had not been issued by the Accountant to the delinquent NGOs/POs, and that the general and subsidiary ledger balances of the account which had a difference of ₱1.03 in previous year remained unreconciled.

59. We requested Management to immediately furnish the COA with the reports on the action taken by the RO on the defaulting NGOs/POs for the non-submission of utilization reports and the results of inspection/evaluation and monitoring conducted, together with the corresponding required financial and physical status reports submitted by NGOs/POs, as basis for the evaluation of the accounts. However, the requested reports/documents had not been submitted to the audit team.

60. Management informed the audit team that a memorandum was issued to Provincial Offices to intensify retrieval of liquidation documents of all Due from NGOs/POs, thus, there was a 32 percent liquidation of prior years and current year Due from NGOs/POs. However, financial reports showed that ₱1,744,183.88 remained unsettled for three years and over.

61. Likewise, review of transactions under the account revealed that Journal Entry Voucher No. 10-12-496 dated December 3, 2010 was prepared liquidating the amount of ₱400,000.00 granted to NUVELCO Employees Labor Union based on the schedule of collection submitted. However, verification of the project by the Auditor in CY 2011 disclosed that there was an unliquidated balance of ₱395,055.00 that was allegedly used in buying rice and was loaned to the union members. This amount, therefore, should be

included in the schedule of outstanding Due from NGOs/POs as of December 31, 2013. As a result thereof, the account Due from NGOs/POs (139) was understated by the same amount and the Prior Year Adjustments account was also overstated by the same amount.

62. The Officer-In-Charge of DOLE Provincial Office of Nueva Vizcaya submitted documents on December 4, 2013 to support the Liquidation Report granted to NUVELCO. However, this Office still requires the submission of the “List of beneficiaries with their acceptance/acknowledgement of the project funds/goods/services rendered”.

63. The non-submission of utilization/liquidation reports by the concerned LGUs and NGOs/POs within the prescribed period for funds entrusted to them for the implementation of various projects resulted in the difficulty of ascertaining the proper utilization of funds and the validity of the reported balances of the receivable accounts.

64. This issue had been raised in the audit reports of previous years and reiterated in CY 2013 audit as the recommendations remained unimplemented.

65. **We reiterated our prior year recommendations that Management:**

- **Issue final demand letters to LGUs and NGOs/POs concerned requiring them to submit immediately the RCI/RDs or Fund Utilization Reports. Otherwise, require the refund of the amount granted if the submission of the required Liquidation Report is no longer possible or nil.**
- **Require the created monitoring team at the provincial level to closely monitor and conduct frequent inspection of project implementation and submit the required status report of project implementation and liquidation reports, and the TSSD to also conduct periodic validation of the projects based on the monitoring reports submitted by the provincial team to ensure delivery of goods and services to intended beneficiaries.**
- **Instruct the Accountant to restore the amount of ₱400,000.00 to the Due from NGOs/POs, and immediately issue demand letters requiring the immediate submission of the fund utilization/liquidation reports in the event that the accounts have already been past due. If not complied, same should be forwarded to the legal for appropriate action; and**
- **Institute legal action against defaulting LGUs and NGOs/POs which failed to complete projects covered by MOA, or for a material violation of the provisions of the MOA or COA Circular 2007-001, and in any of these cases, its subsequent disqualification from applying for another project in other Government Office/Agency.**

66. Management informed that a memo was issued to field offices to send demand letter with unliquidated cash advances within their area of jurisdiction. Furthermore, the

heads of field offices and the focal persons were also advised to strictly adhere to the provisions in the MOA.

Unserviceable PPE not reclassified to Other Assets

Unserviceable equipment totaling ₱1,283,572.10 were not reclassified under the Other Asset account pending repair or disposal thereof, in violation of Section 143 of the MNGAS, Volume II, thereby affecting the balances of the PPE, Other Assets and related accounts. Moreover, these unserviceable properties remained undisposed, contrary to Section 79 of PD 1445, thus, depriving the government of additional revenue that may be generated from their sale.

67. The recording and reporting of obsolete and unserviceable assets are governed by the following provisions of the Manual on the New Government Accounting System (MNGAS):

- Section 4 (p), MNGAS Volume I- Serviceable assets no longer being used shall be reclassified to Other Assets account and shall not be subjected to depreciation.
- Section 143, MNGAS Volume III- Other Assets shall be used to record the value of the obsolete and unserviceable assets awaiting final disposition as well as those still serviceable but are no longer used in government operation.
- Section 64, MNGAS Volume II- requires the preparation of the Inventory and Inspection Report for Unserviceable Property (IIRUP), to serve as a basis in dropping the value of the unserviceable property from the Property, Plant and Equipment (PPE) account, as well as in the recording of the related accounts.

68. On the other hand, Section 79 of PD 1445 provides the manner of disposing unserviceable property, pertinent provisions of which are quoted below:

“Destruction or sale of unserviceable property - When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee an award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission, xxx.”

69. Review of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) and the Trial Balance as at December 31, 2013 revealed that unserviceable properties awaiting for disposal and repair with an approximate amount of ₱1,283,572.10 (Annex F) were not reclassified and recorded under the Other Assets account, thereby overstating the affected PPE accounts and understating the Other Assets account.

70. **We recommended that Management:**

- a. **Instruct the to exclude from the RPCPPE obsolete and unserviceable PPE and prepare the IIRUP and submit a copy to COA for inspection and eventual appraisal and disposal;**
- b. **Require the Accountant to reclassify unserviceable PPE to the Other Assets account and make appropriate adjustments on the erroneous depreciation provided for unserviceable properties; and**
- c. **Immediately act on equipment that need repair and if found to be beyond economical repair, for their proper disposition.**

71. The Accountant had already reclassified the unserviceable PPE per JEV No. 2014-08-407 dated August 29, 2014.

VALUE FOR MONEY

Implementation of SPES

Unauthorized mode for the payment of students' salaries

Payment of 40 percent salary for SPES student beneficiaries by DOLE-RO II Field Offices amounting to ₱22,007,809.58 in CY 2013 were made thru the issuance of checks directly to the student-beneficiaries contrary to the provisions of RA 9547 which prescribed the payment through education voucher resulting in the risk of loss or misuse of funds in the custody of the SPES student beneficiaries.

72. The Special Program for Employment of Students (SPES) was created on February 6, 1992 through the passage of Republic Act (RA) No. 7323. On April 1, 2009, the coverage of the SPES was strengthened and expanded by the passage of RA 9547. The SPES aims to help the poor but deserving students pursue their education by encouraging their employment during summer and/or Christmas vacations with their salaries to be paid by the employers and the government through the DOLE.

73. RA 9547 provides, among others, the following:

- Students enrolled in the secondary level shall only be employed during summer and/or Christmas vacations, while those enrolled in the tertiary,

vocational, vocational or technical education may be employed at any time of the year. (Section 1)

- Sixty (60) percent of the said salary or wage shall be paid by the employers in cash and 40 percent by the government in the form of a voucher which shall be applicable in the payment for the student's tuition fees and books in any educational institution for secondary, tertiary, vocational or technical education: Provided, that Local Government Units (LGUs) may assume responsibility for paying in full his salary or wages. The amount of education vouchers shall be paid by the government to the educational institution concerned within 30 days from its presentation to the officer or agency designated by the Secretary of Finance. (Section 2)

74. Review of disbursements under the program during CY 2013 revealed, however, that the prescribed payment through educational voucher was not followed. Payments amounting to ₱22,077,809.58 by the RO for the 40 percent salary of SPES student beneficiaries were made in checks instead of the prescribed educational voucher, as presented below:

Month Prepared 2013	Series of Checks Issued	No. of Checks Issued/Students	Amount	Period of Employment
January	86665-87129	465	₱ 1,023,989.50	April to May 2012
February	87130-87135	6	8,462.24	April to May 2012
June	87136-88540	405	2,428,336.40	April to June, 2013
July	88541-90387	1847	3,349,217.40	April to June, 2013
August	90388-91708	1321	3,223,906.40	April to June, 2013
September	91730-94021	2292	5,370,789.41	April to June, 2013
October	94022-95866	1845	3,374,561.75	April to June, 2013
November	95867-97942	2076	2,789,874.00	April to October, 2013
December	97943-99699	1757	508,672.48	April to December, 2013
Total		12,014	₱22,077,809.58	

75. Inquiry from the Regional Accountant disclosed that the above-mentioned mode of payment was adopted in compliance with the Unnumbered Memorandum dated April 16, 2012 issued by then DOLE Undersecretary authorizing the DOLE-ROs to use any of three modes of payment for the 40 percent salary for SPES student beneficiaries, one of which is through automated check preparation.

76. Furthermore, interview with the RO personnel revealed that at the start of the program, SPES beneficiaries were paid through education voucher. However, during CYs 2010-2011, commercial checks replaced the education voucher wherein continuous checks were printed in the name of student beneficiaries. They further stated that there was a difficulty in implementing the education voucher because it will take a long process on the claim of SPES beneficiaries. There were also problems encountered on the willingness of the institution to accept payment through this mode.

77. For the SPES beneficiaries, the delay in payment of tuition fees to the school where they were enrolled forced them to pay from their own money. However, it took them too long to refund the amount paid.

78. The use of educational voucher to pay the salaries of student-beneficiaries was changed to cash cards or checks without amending first the RA and its Implementing Rules and Regulations. These existing practices were contrary to the provisions of RA 9547 which specifically prescribed that payments for the 40 percent salary to SPES student-beneficiaries should be made thru the issuance of an education voucher. Thus, the existing modes of payment did not ensure that the salaries were used to pay the tuition fees and books of the student-beneficiaries.

79. We recommended that Management comply with the prescribed mode for the payment of salaries of student-beneficiaries. Refrain from implementing other modes of payment without covering revisions/amendments to RA 9547.

80. Management had opted to adopt the payment of SPES beneficiaries thru automated check preparation as per Memorandum dated April 16, 2012 of then DOLE Undersecretary as it found this mode more efficient and effective. However, the audit team maintains its stand that other modes of payment could not be implemented without first amending the RA creating the SPES.

Delayed payment of students' 40 percent salaries

SPES beneficiaries were not fully paid within the period prescribed in the IRR of RA 9547 as payments to at least 12,014 students amounting to ₱22,077,809.58 in CY 2013 for the 40 percent share of DOLE were delayed by six (6) to 240 days as of December 31, 2013, thus affecting the attainment of the program objective of helping poor but deserving students pursue their education by providing income or augment their income.

81. 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 provide, among others, the period of employment, payment of salary wage, and the duties and responsibilities of employer, DOLE and Public Employment Service Office (PESO), as presented in the following table:

Reference	Selected Provisions
Section 2, Rule IV	<p data-bbox="488 264 732 289"><i>Period of Employment</i></p> <ul data-bbox="488 327 1382 720" style="list-style-type: none"> • For Secondary level, employment shall only during summer and/or Christmas vacations. During summer implementation, the number of days shall neither be less than 20 working days nor more than 52 working days. <p data-bbox="537 449 1393 506">For Christmas implementation, the number of days shall neither be less than ten working days nor more than 15 working days.</p> <ul data-bbox="488 543 1382 720" style="list-style-type: none"> • For Tertiary, Technical or Vocational education level, employment shall be at any time of the year but in no case be less than 20 working days or more than 52 working days within a period of one year. • In all cases, employment should not exceed 52 working days within a period of one year.
Section 3, Rule IV	<p data-bbox="488 758 781 783"><i>Payment of Salary or Wage</i></p> <p data-bbox="488 821 1393 968">The student shall be paid the salary or wage not lower than the applicable minimum wage for private employers or the applicable hiring rate for the national or local government agencies. The 60% of his/her salary or wage shall be paid by the employer in cash, while the remaining 40% of the applicable minimum wage or hiring rate shall be paid by the DOLE.</p>
Section 7, Rule IV	<p data-bbox="488 1005 919 1031"><i>Duties and Responsibilities of Employer</i></p> <p data-bbox="488 1068 1393 1241">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.</p>
Section 2, Rule V	<p data-bbox="488 1283 643 1308"><i>Role of DOLE</i></p> <p data-bbox="488 1346 1393 1402">The DOLE shall serve as the SPES Program Manager. Its Regional and Field Offices shall, among others:</p> <ul data-bbox="488 1409 1382 1682" style="list-style-type: none"> • Supervise the SPES activities of the PESO. • Pay 40% of the applicable salary or wage of student in the form of an education voucher within three (3) working days upon receipt of the validated Establishment Report Form (Form 2) from the PESO. • Maintain a complete record of student beneficiaries and participating employers, and submit a SPES Monitoring report to DOLE Central Office, one month after each semester. • Consolidate report on SPES Babies (SPES Form 4) and submit to DOLE Central Office within 30 days after the end of each semester.
Section 3, Rule V	<p data-bbox="488 1715 634 1740"><i>Role of PESO</i></p> <p data-bbox="488 1778 1393 1835">The PESO shall serve as the frontline implementer of the SPES. Specifically, it shall, among others:</p> <ul data-bbox="488 1841 1373 1898" style="list-style-type: none"> • Receive, validate and submit to DOLE Regional/Field Office all Establishment Report Forms (SPES Form 2) of participating employers for processing of the

Reference	Selected Provisions
	education voucher within three (3) working days after receipt. • Maintain a complete record of student beneficiaries and participating employers and submit SPES Monitoring Report to DOLE Regional/Field Office within 15 days after the end of each semester.

82. Based on the foregoing provisions, the DOLE Regional/Field Offices (R/FOs) shall pay the student beneficiaries the 40 percent of their salaries or wages within 11 days after the duration of employment, calculated as follows:

Responsible Person/Office	Activity	No. of Days
Employer	Submission of Establishment Report Form (SPES Form 2) to the PESO	5
PESO	Receipt, validation and submission to DOLE Regional/Field Office of SPES Form 2 of participating employers	3
DOLE R/FOs	of SPES Form 2 from PESO and payment of 40% of the applicable salary or wage of student beneficiaries in the form of an education voucher	3
Total		11

83. For CY 2013, allotments from the regular appropriation received by the RO during the year for the implementation of SPES amounted to ₱25,212,000.00. In addition, in December 2012, the RO received allotment of ₱3,847,095.00 for SPES under the Disbursement Acceleration Program (DAP) which was actually utilized in CY 2013. The details are shown below:

Reference	Date	No. of Students	Allotment (a)	Obligation (b)	Disbursement (c)	Balance (d= a-b)
Regular Appropriation						
ABM-BMB-13-0001826	1/4/13	14,414	₱23,212,000.00	₱21,267,049.48	₱18,230,809.58	₱3,036,239.90
BMB-12-F-13-88969	5/15/13	1,369	2,000,000.00			2,000,000.00
Sub-total		15,783	25,212,000.00	21,267,049.48	18,230,809.58	5,036,239.90
DAP						
SARO G-12-01399	12/21/12	410	3,847,000.00	3,847,000.00	3,847,000.00	0
Total		16,193	₱29,059,000.00	₱25,114,049.48	₱22,077,809.58	₱5,036,239.90

84. The audit team reviewed the disbursement vouchers and supporting documents for the payment by the DOLE-RO II of the 40 percent share of DOLE in the salaries or wages of student beneficiaries for 8,237 checks prepared in CY 2013 amounting to ₱11,418,091.96 to determine whether payments were made on a timely manner. Results of review disclosed that of the total checks prepared, the date of receipt by the students was indicated in only 5,910 checks amounting to ₱10,394,859.87. Further evaluation disclosed that payments to students with date of receipt were delayed by six to two hundred forty days, as shown below:

Check Date (2013)	Claimed Checks				Total Claimed Checks		Period of Employment	Time Lag (Days)
	With Date of Receipt		Without Date of Receipt		No. of Checks/Students	Amount (₱)		
	No. of Checks/Students	Amount (₱)	No. of Checks/Students	Amount (₱)				
Jan.	62	143,596.52	1	960.00	465	1,023,989.50	April to May 2012	210
Feb.	798	1,427,003.36					April to May	240

Check Date (2013)	Claimed Checks				Total Claimed Checks		Period of Employment	Time Lag (Days)
	With Date of Receipt		Without Date of Receipt					
	No. of Checks/Students	Amount (₱)	No. of Checks/Students	Amount (₱)	No. of Checks/Students	Amount (₱)		
							2012	
Jun.	134	208,720.00	5	7,840.00	139	216,560.00	Apr. to Jun. 2013	12-45
Jul.	1,130	2,149,561.36	277	442,389.04	1,407	2,591,950.40	Apr. to May 2013	20-45
Aug.	466	934,564.40	22	43,580.80	488	978,145.20	Apr. to Jun. 2013	25-100
Sept.	296	567,935.72	39	82,347.96	335	650,283.68	Apr. to Jun. 2013	65-145
Oct.	1,033	1,720,642.75	1,898	250,212.61	2,931	1,979,855.36	Apr. to Jun. 2013	75-160
Nov.	802	1,442,874.88	40	86,875.20	842	1,529,750.08	Apr. to Oct. 2013	15-175
Dec.	1,189	1,442,874.88	45	109,026.48	1,234	1,908,987.36	Jul. to Dec. 2013	6-145
Total	5,910	10,394,859.87	2,327	1,023,232.09	8,237	11,418,091.96		6-240

85. Inquiry from the Cashier and Accountant revealed that the delay in the release of checks could be attributed to the following:

- Huge volume of claims for processing;
- Claims were not processed if supporting documents were incomplete, there were no placement report submitted by the PESO to DOLE-RO, or SPES babies could not be found in the submitted placement report; and
- The 60 percent payroll which would be the basis for the preparation of 40 percent payroll is incomplete or not submitted by the PESO to DOLE-RO II.

86. Moreover, SPES checks amounting to ₱83,093.04 remained unclaimed and became stale as of December 31, 2013. The details are shown below.

Check Date	Check No.	Payee	Amount
1/18/2012	77695	Lovely Fletcher	P1,800.00
1/18/2012	77789	Bernard de los Santos	2,400.00
2/14/2012	78170	Mark DJ Serna	1,200.00
7/9/2012	79653	April Lara Busto	320.00
7/16/2012	80084	Jenny Rose Baquiran	1,600.00
7/28/2012	80569	Daniel Ignacio	2,240.00
7/28/2012	80977	Rick Laurence Lejano	1,200.00
7/30/2012	81159	Alvin Balanza	1,920.00
8/7/2012	81845	Queennie Angelie Tejero	1,800.00
8/22/2012	82480	Marrk Ryan Agustin	1,920.00
8/22/2012	82636	Sherlyn Manangan	2,195.84
8/28/2012	82828	Alessiya Mae Lucas	2,400.00
8/28/2012	82890	Angelica Erice	1,600.00
9/3/2012	83207	Riyah Loraine Taccad	1,600.00
9/3/2012	83313	John Kevin Conde	1,400.00
9/3/2012	83433	Jordan Sibbaluca	2,495.28

Check Date	Check No.	Payee	Amount
9/3/2012	83435	Camille Villanueva	2,495.28
9/10/2012	83496	Mark Velayo	1,490.40
9/10/2012	83763	Gian Alferson Matterig	2,195.84
9/14/2012	83944	Gerald Ocariza	2,080.00
9/14/2012	84171	Maria Cristina Antonio	1,200.00
9/14/2012	84242	Ronald Matagay	1,200.00
9/14/2012	84246	Boyet Suriaga	1,200.00
9/17/2012	84417	Gemalyn Tolentino	1,440.00
9/17/2012	84421	Mharie Andam	900.00
9/17/2012	84423	Norie Asuncion	900.00
9/17/2012	74447	Reymark de Capia	900.00
9/24/2012	84530	Remart Silvestre	900.00
9/24/2012	84537	Kristel Tulugan	900.00
9/24/2012	84736	Novelyn Palor	1,000.00
9/24/2012	84806	Myla Pattugalan	1,600.00
9/24/2012	84878	Jomar Delfin	2,195.84
9/24/2012	84879	Kristine Princess Gorospe	1,200.00
9/24/2012	84910	Ricardo Cabacungan	2,495.28
10/1/2012	84941	Anarose Castillo	1,600.00
10/1/2012	85098	Jesica Taguinod	2,420.00
10/1/2012	85108	Daisy Badiang	1,936.00
10/1/2012	85166	Lariza Daulayan	600.00
10/1/2012	85217	Shain Char Yadis	600.00
10/1/2012	85239	Roselle Tumanguil	2,420.00
10/12/2012	85382	Ma. Christina Abadu	1,600.00
10/12/2012	85407	Teresita Castro	2,495.28
10/12/2012	85417	Sharmaine Marie Ordillo	2,420.00
10/12/2012	85447	Bryan Jay Balala	882.00
10/22/2012	85453	Caroline Bruno	1,800.00
10/22/2012	85457	Alejandro Alfonso	1,200.00
11/7/2012	85509	Guilford Alindayo	600.00
11/7/2012	85525	Benjie Labingon	600.00
11/7/2012	85526	Alexander II Licdom	600.00
11/8/2012	85733	Miriam de los Santos	2,640.00
11/8/2012	85746	Kimberly Caramillo	1,656.00
11/19/2012	86086	Alexander Cristobal	1,440.00
11/19/2012	86166	Nikolai Immanuel Bacungan	1,200.00
Total			₱ 83,093.04

87. According to the DOLE-RO Cashier, a communication was prepared and sent to their respective PESOs/Provincial Field Offices, together with the list of checks for posting and for coordination to concerned students and LGUs for setting the date of the distribution of checks in the locality. The PESOs were also advised to inform the SPES beneficiaries that checks were ready for release.

88. The delayed or unreleased payment of salaries/wages of the student beneficiaries affects the attainment of the program objective which is to help poor but deserving students pursue their education by providing income or augment their income through encouraging their employment during summer and/or Christmas vacations.

89. **We recommended that Management:**

- **Ensure that student beneficiaries are paid their 40 percent salaries within the 11 days prescribed period. Require the employers, PESO and DOLE-RO II to perform their duties and responsibilities within the period provided in the IRR of RA 9547 for the payment of the 40 percent share of DOLE;**
- **Require the TSSD and DOLE-RO II FOs to closely monitor the PESOs to ensure that the list of checks were actually posted and student beneficiaries were informed of their claims; and**
- **Instruct the Accounting Unit to exclude from the payrolls under processing those students with inadequate documentation/deficiencies while the necessary requirements are being completed in order not to deprive the complying students the timely payment of their 40 percent salaries.**

90. Management advised the Cashier to send thru registered mail all unclaimed checks directly to the payee.

SETTLEMENT OF SUSPENSIONS, DISALLOWANCES AND CHARGES

91. For CY 2013, 38 Notices of Suspension (NSs) in the total amount of ₱453,481.67 were issued while of the beginning balance of Notices of Disallowance (NDs) of ₱9,450.00, ₱2,350.00 was settled during the year. There was no balance of Notices of Charge (NCs) at year-end. The details are shown in the following table:

Particulars	ND	NS	NC
Balance, December 31, 2012	₱9,450.00	₱ 0.00	₱ 0.00
Issued during the year	0.00	453,481.67	0.00
Settlement during the year	2,350.00	0.00	0.00
Balance, December 31, 2013	₱7,100.79	₱453,481.67	₱ 0.00

GENDER AND DEVELOPMENT (GAD)

92. For CY 2013, the RO's allocation for GAD programs/activities amounted to ₱4,060,000.00 based on its GAD Plan and Budget. This amount was only 4.65 percent of the RO's total budget of ₱87,389,000.00 or 0.35 percent below the 5% of it was ₱4,366,900.00 contrary to Section 28 of the General Provisions of the FY 2013 GAA and DBM-NEDA-NCRFW Joint Circular No. 2004-01 which require GAD allocation of at least five percent of the RO's budget. However, as can be gleaned from the RO's CY 2013 GAD Accomplishment Report, the fund utilization exceeded the GAD allocation. The GAD activities/expenses were focused on women.

COMPLIANCE WITH TAX LAWS

93. The unremitted balance of the monetized leaves of employees in the amount of ₱1, 937.92 of as embodied in the 2012 ML was remitted on May 31, 2013 under OR No. 5148804. For CY 2013 the amount of taxes withheld from outside creditors and employees amounted to ₱515, 777.27 and ₱4, 823,647.55, respectively. Same amounts were remitted to the Bureau of Internal Revenue (BIR).

COMPLIANCE WITH RA 8291 ON PROPER DEDUCTION AND REMITTANCE OF GSIS PREMIUMS

94. Mandatory deductions due to GSIS were being remitted before the 10th day of the succeeding month. It was observed, however, that there were months wherein the total amounts deducted from the employees did not tally with the remittance as the computerization system does not accept payments of employees who are not yet registered/listed in the system. As of December 31, 2013, the amount of ₱489.75 remained to be unremitted and is subject for reconciliation.

D. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

95. We made a follow-up on the actions taken by the DOLE-RO II to implement the recommendations embodied in the 2010 and 2012 MLs and 2011 AAR and noted the following:

Status of Implementation	No. of Recommendations
Fully Implemented	5
Partially Implemented	18
Ongoing	0
Not Implemented	2
Total	25

96. The details of validation on the implementation of prior years' recommendations are presented in Annex G.

E. ACKNOWLEDGEMENT

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

98. We request a status report on the action taken on the audit recommendations within 60 days from the date of receipt hereof pursuant to Section 90, General Provisions, General Appropriations Act (RA 10352).

Very truly yours,



DARIA B. SISON
State Auditor V
Supervising Auditor

Copy furnished:

The Secretary
Department of Labor and Employment
Intramuros, Manila