



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT

Regional Office No. II
Tuguegarao City
Tel. No. 844-3793 Fax No. 844-1364

May 31, 2013

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 2012**

1. Pursuant to Section 2, Article IX-D of the Constitution of the Philippines and Section 43 of the Government Auditing Code of the Philippines (PD 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, 2012. The audit was conducted in accordance with applicable legal and regulatory requirements, and generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted by the audit team led by Ms. Carmen O. Gamatero, State Auditor IV 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, 2012 are shown in the attached audited financial statements (Annexes A-J).
4. Deficiencies observed in the course of the audit were earlier communicated through Audit Observations Memoranda (AOMs) and discussed in an exit conference with concerned DOLE-RO II officials and employees on May 31, 2013. Their comments were incorporated in this Management Letter, where appropriate. The significant audit observations and the recommendations shall be incorporated in the Consolidated Annual Audit Report (CAAR) of DOLE for CY 2012.

A. INTRODUCTION

Agency Mandate

5. The DOLE 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, 38 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 2012, it was manned by 73 permanent personnel and 13 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); Meddiation-Arbitration Unit; and Provincial Extension Offices of Batanes, Cagayan, Isabela, Quirino and Nueva Vizcaya.

Major Accomplishments

8. For CY 2012, DOLE-RO II reported the following accomplishments, among others:

- Phil-Jobnet/SRS System- The RO has covered 14 LGUs under the 3rd wave implementation of the Skills Registry System: three in Cagayan, five in Isabela, three in Quirino and three in Nueva Vizcaya.
- Special Program on Employment of Students (SPES)- Of the 9,950 targeted number of students, 10,337 students were provided employment during the year.
- Program on Placement of Jobseekers through PESOs/PRPAs/Contractors/Sub-Contractors- Of the 17,659 job applicants referred by PESOs, 15,313 were provided with employment while 478 job seekers placed thru PRPAs and 4,681 thru Job Service Contractors/Sub-Contractors.

- DOLE Integrated Livelihood Program (DILP)- In the community enterprise development, livelihood assistance to enhance/engage in self employment and livelihood undertakings, DOLE RO II was able to fund P8,605,804.00 to the group and individual beneficiaries, nonetheless most of the targeted activities were not fully accomplished due to LGUs intervention.

Financial Profile

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

Particulars	CY 2012	CY 2011	Increase (Decrease)
A. Financial Condition			
Assets	₱ 48,614,334.68	₱49,058,820.09	₱(444,485.41)
Liabilities	4,258,810.77	3,707,063.93	551,746.84
Government Equity			
B. Sources of Funds			
Subsidy from National Government-Net	87,725,971.64	73,804,123.15	13,921,848.49
Other Income	0	0	0
Total Income	87,725,971.64	73,804,123.15	13,921,848.49
C. Application of Funds			
Personal Services	36,857,883.54	36,183,643.72	674,239.23
MOOE	33,380,274.00	25,150,658.48	8,229,615.52
Total Expenses	70,238,157.54	61,334,304.20	8,903,854.75
Excess of Income over Expenses	17,487,814.10	12,469,818.95	5,017,993.74

B. SUMMARY OF RECOMMENDATIONS

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

- Direct all concerned officers and employees to submit immediately the proper accounting of expenditures to settle the 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.

Send follow-up demand letters to DOLE personnel who are no longer assigned in Region 02. Request their present DOLE office assignment to deduct from their salaries the amount due them.

- b. Instruct the Cashier to locate the missing checks. 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.

Management should take appropriate action against the Acting Cashier for failure to account missing accountable forms under her custody despite various reminders and follow-ups.

- c. Request the Balikatan Kaunlaran Foundation to return immediately the amount of ₱100,000.00 including interests in order to settle their outstanding loan account.
- d. Send final demand letter to LGUs concerned requiring them to submit immediately the RCI and/or RD, otherwise, require the refund of the amount granted when the submission of the required Liquidation Report is no longer possible or nil.

The created monitoring team at the provincial level should closely monitor and conduct frequent inspection of project implementation and submit the required status report of projects implementation and liquidation reports. The Technical Services Support Division (TSSD) should also conduct periodic validation of the projects based on the monitoring and reports submitted by the provincial team to ensure delivery of goods and services to intended beneficiaries.

- e. Create/activate the monitoring team at the provincial level to conduct close monitoring and inspection of project implementation as well as verification of financial records and reports of the NGOs/POs and submit a report thereon to DOLE Regional Office. The Technical Services Support Division (TSSD) should conduct periodic validation of projects based on the monitoring and reports submitted by the provincial team and financial and physical status submitted by NGOs pursuant to 4.5.3 (h) of COA Circular 2007-001 dated October 25, 2007.

In the event that the accounts have already been past due, the accountant should immediately issue demand letters requiring the immediate submission

of the fund utilization/liquidation reports. If not complied, same should be forwarded to the legal for appropriate action.

Institute legal action against defaulting 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.

The Accountant is advised to restore the amount of P395,055.00 for a correct and fair presentation of the financial statements/reports.

- f. Determine the causes of undue delay in the submission of the required inventory reports. If the cause is unreasonable, an automatic suspension of salaries of the personnel concerned be made until such time that the reports are submitted pursuant to Section 4 of Accounting Circular Letter No 2007-001 dated January 19, 2007.
- g. Instruct the property officer and accountant to maintain Property Cards (PC) and Property, Plant and Equipment ledger Card (PPELC), respectively as prescribed under Sections 42 and Appendix 50 of the Manual on the New Government System Volume 1 to ensure proper accounting and control of agency properties.

Likewise, the accountant is advised to maintain index of payment for each employee, creditor or other agency creditors to ensure complete record of agency transactions pursuant to Section 50 of the Manual on the New Government System Volume 1.

- h. Require the former Regional Director, Grace Y. Ursua to return the two cellphones in order to settle her accountability otherwise, official/s concerned who signed/approved the clearance will be held responsible in the settlement of the property accountability.
- i. Require the concerned personnel to submit the required additional documents needed in the evaluation on the request for relief from accountability. Likewise, we recommended that the loss shall be disclosed in the notes to the financial statements as required under Section 48 of the MNGAS, Volume 1.
- j. Refund the total amount of P1,138,000.00 representing CNA Incentive charged against unauthorized MOOE items and/or excess of the allowable amount of P25,000.0 per employee, in violation of Section 3.3 of Budget Circular DBM Budget Circular No. 2011-5 dated December 26, 2011.

- k. Submit legal basis authorizing payment of the first 30 days travel allowance of the OIC Regional Director; Justification why Mr. Saturnino A. Martinez, Accountant certified the disbursement voucher without complete supporting documents; Justification why Ms. Evelyn U. Yango, OIC –IMSD certified the Obligation Request that charges to budget necessary, lawful and supporting documents valid, proper and legal.
- l. Require the refund of the disallowed amount of P4,240.00 paid to ineligible student beneficiary from persons determined liable for the payment thereof. Review applications carefully before payments are made in order to avoid disallowance in the future.
- m. Adhere strictly to the provisions of the MOA by paying the tuition and miscellaneous fees of scholars directly to the educational institution concerned to ensure settlement of DOLE obligation to the educational institutions as provided under the MOA.
- n. Require the accountant to adhere strictly to the requirements of Section 7.2 of COA Circular 2009-002 dated September 15, 2009, Sec. 450 of Government Accounting and Auditing Manual (GAAM) and Accounting Circular Letter 2007-001 dated January 19, 2007. Otherwise, imposition of penalty to officials/employees concerned will be made accordingly in accordance with Section 4 of Accounting Circular Letter No 2007-001 dated January 19, 2007.

Advise the accountant submit immediately the accounts from July, 2012 to December, 2012. Further, management should cause the immediate suspension of salaries of official/employees concerned until such time that the required reports are submitted in accordance with Section 4 of the Accounting Circular Letter No 2007-001 dated January 19, 2007.

- o. We recommend that Management:
 - Ensure that student beneficiaries are paid their 40% salaries within the 11 days prescribed period. Require the employers, PESO and DOLE-NCR to perform their duties and responsibilities within the period provided in the IRR of RA 9547 for the payment of the 40% share of DOLE;
 - Require the TSSD and DOLE-RO2 Field Offices to closely monitor the PESOs to ensure that the list of checks were actually posted and student beneficiaries were informed of their claims; 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.

- p. We recommend that Management strictly adhere to the provisions of Section 145 of the GAAM, Volume I. Refrain from using the SPES funds for other purposes. Limit expenses charged to SPES funds to the implementation of the program.

C. DETAILED OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL AND COMPLIANCE

Unliquidated Cash Advance

Of the balance of Advances to Officers and Employees (148) account of ₱977,978.63 as of December 31, 2012, ₱72,821.77 remained outstanding for more than three years, contrary to the provisions of COA Circular No. 97-002 dated February 10, 1997.

11. 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.

12. As of December 31, 2012, the reported balance of account Advances to Officers and Employees amounted to ₱977,978.63. Analysis of the account disclosed that a total of ₱72,821.77 remained outstanding for more than three years. The aging of unliquidated cash advances is presented below:

Date Granted	Name	Particulars	Amount	Age as of 12/31/12
12/28/12	Sofia Matote	Cash Advance- DOLE SPES Beneficiaries of Batanes	₱268,197.480	3 days
12/26/12	Judith Macarubbo	Cash Advance- DOLE SPES Beneficiaries of Batanes	430,689.38	4 days
11/29/12	Judith Macarubbo	CA-PESO mgr cash incentive	142,000.00	1 mo. & 2 days
10/5/12	Joey Zaldy Garingan	CA-TEV	20.00	2 mos. & 26 days
7/11/12	Evelyn Yango	CA for MYPA & Staff Development Training	25,000.00	5 mos. & 20 days
7/17/12	Atty. Sixto T. Rodriguez	CA-expenses to be incurred during the visit of Sec. Baldoz	39,250.00	5 mos. & 14 days
Sub-total			905,156.86	
08/10/00	Dannug, Crispin	Trainings/Meetings with NGOs/POs	37,000.00	12 yrs., 3 mos. & 20 days
?	Gacutan, Wesley	CA - Air Campaign for RO2	23,085.07	?
05/17/06	Moralit, Pacifico	Child Labor Surveillance and Rescue Operation, 05/18/06, Quirino	3,000.00	6 yrs., 6 mos. & 14 days
5/7/08	Arevalo, Leonita	TEV	4,578.70	4 yrs., 7 mos & 24 days
02/25/09	Moralit, Pacifico	TEV - Baguio City, Feb. 28-Mar. 4, 2009	5,158.00	2 yrs. & 8 mos.
Sub-total			72,821.77	
Total			₱977,978.63	

13. 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.

14. For the unliquidated cash advances of Mr. Pacifico Moralit in the total amount ₱8,158.00 and Ms. Leonita Arevalo of ₱4,578.00, the amounts remained unliquidated for more than 3 years already. There is no reason that these cannot be liquidated or collected since they are still with DOLE-RO II. The accountant failed to demand the liquidation of the past due accounts contrary to the provisions of COA Circular No. 97-002 dated February 10, 1997 and the latest COA Circular N0. 2012-004 dated November 28, 2012.

15. Management sent demand letters to Directors Wesley Gacutan and Crispin Dannug in 2009, 2010 and 2013 for the immediate liquidation of said cash advances. These Directors were assigned to other regions of DOLE. For those who are still with DOLE-RO II, the Accountant informed the audit team that he verbally requested them to immediately liquidate their cash advances, but no answer/action taken yet by the concerned officials.

16. **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 Region 02. Request their present DOLE office assignment to deduct from their salaries the amount due from them.**

Unaccounted/missing SPES Checks

Forty-one pieces SPES checks with serial nos. 1702060-1702100 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.

17. 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 up to this time she cannot produce the same.

18. According to the Cashier, she was not aware of this 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 2005.

19. 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 this date.

20. 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.

21. 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)”.

22. The foregoing deficiency had been reported in the CYs 2010 and 2011 audit reports. Likewise, this has been an audit finding during the previous cash examinations conducted on her accounts, however, no action was taken to address the audit recommendations.

23. 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

We reiterated our recommendation that Management instruct the Cashier to locate the missing checks. 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. Management should take appropriate action against the Cashier for failure to account missing accountable forms under her custody despite various reminders and follow-ups.

Dormant/non-moving loans receivable

The Loans Receivable (126) account balance as of December 31, 2012 totaling P5,684,058.75 represents loans granted to 75 organizations which remained uncollected/dormant for the past 13 to 19 years.

24. As in previous year, analysis of the Loans Receivable account balance of P5,684,058.75 as of December 31, 2012 disclosed that the balance represents outstanding loans of 75 loan associations which remained unpaid for the past 13 to 19 years, as summarized below with details shown in (Annex A):

CY Granted	Province	No. of Associations	Amount
1993	Cagayan	4	P 414,659.28
	Isabela	1	42,165.31
	NuevaVizcaya	5	120,818.18
	Sub-total	10	577,642.77
1994	Batanes	1	301,129.46
	Cagayan	4	574,111.43
	Nueva Vizcaya	2	80,418.17
	Sub-total	7	955,659.06
1995	Batanes	10	790,499.06
	Cagayan	5	420,900.85

CY Granted	Province	No. of Associations	Amount
	Isabela	9	1,002,288.35
	Nueva Vizcaya	2	147,275.21
	Quirino	1	70,600.00
	Sub-total	27	2,431,563.47
1996	Batanes	2	173,076.46
	Cagayan	9	392,638.84
	Isabela	6	356,312.44
	Nueva Vizcaya	5	307,234.49
	Quirino	4	238,073.09
	Sub-total	26	1,467,335.32
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
GRAND TOTAL		75	P5,684,058.75

25. Verification of the subsidiary ledgers of the loan borrowers disclosed that there were no repayments made during the past ten years. Management has started sending demand letters to loan borrowers in CY 2011. However, the RO had not received any single payment.

26. Further verification of the individual folders revealed that only one demand letter for each loan borrower was sent and that most of the projects were not implemented as reported by the Field Offices and as certified by some local officials. 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.

27. As reported in the CY 2011 Annual Audit Report, among the unpaid loans granted in 1995 was the loan of P100,000.00 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.

28. The amount, however, has not been returned by the foundation to RO as of this date to settle the loan, and as such, the loan remained unsettled for more than 17 years as of December 31, 2012.

29. 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.

30. We recommended 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

Of the ₱16,113,084.37 balance of Due from LGUs (138) account representing unliquidated funds transferred to 63 LGUs as of December 31, 2012, ₱8,473,313.37 or 53% remained outstanding for more than three years due to the failure of Management to strictly enforce liquidation of funds transferred upon completion of the projects, contrary to COA Circular No. 94-013 dated December 13, 1994.

31. COA Circular No. 94-013 dated December 13, 1994 prescribes the rules and regulations on the grant, utilization and liquidation of funds transferred/released to implementing agencies. The pertinent provisions of the Circular are quoted below:

- Section 4.3

“The fund to be transferred or sub-allotted to the Implementing Agency (IA) shall be (a) in an amount sufficient for three months operation subject to replenishment upon submission of the reports of disbursements by the IA, or (b) the total project cost, as may be determined by the Heads of the two agencies in either case.”

- Section 4.6

“Within ten (10) days after the end of each month/end of the agreed period for the Project, the IA shall submit the Report of Checks Issued (RCI) and the Report of Disbursement (RD) to report the utilization of the funds. Only actual project expenses shall be reported. The reports shall be approved by the Head of the Implementing Agency.”

32. As of December 31, 2012, the reported balance of the account Due from LGUs (138) amounted to ₱16,113,084.37 representing unliquidated balance of funds transferred to 63 LGUs, as presented below:

CY	Province	Number of LGUs	Amount
2002	Nueva Vizcaya	1	314.25
	Sub-Total	1	314.25
2004	Isabela	1	100,000.00

CY	Province	Number of LGUs	Amount
	Sub-Total	1	100,000.00
2005	Isabela	1	60,000.00
	Nueva Vizcaya	1	89,283.00
	Sub-Total	2	149,283.00
2006	Cagayan	1	31,486.00
	Isabela	4	603,830.12
	Sub-Total	5	635,316.12
2007	Batanes	1	50,000.00
	Cagayan	1	44,505.00
	Isabela	2	204,450.00
	Nueva Vizcaya	2	600,000.00
	Sub-Total	6	898,955.00
2008	Cagayan	6	1,329,685.00
	Isabela	5	2,170,000.00
	Nueva Vizcaya	3	869,500.00
	Sub-Total	14	4,369,185.00
2009	Batanes	1	274,260.00
	Cagayan	2	448,045.00
	Isabela	3	1,300,000.00
	Sub-Total	6	2,022,305.00
2010	Batanes	1	364,724.00
	Isabela	1	233,590.00
	Sub-Total	2	598,314.00
2011	Cagayan	4	1,096,000.00
	Isabela	4	1,234,570.00
	Sub-Total	8	2,330,570.00
2012	Batanes	2	600,000.00
	Cagayan	4	1,052,600.00
	Isabela	4	1,117,190.00
	Nueva Vizcaya	5	1,412,070.00
	Quirino	3	826,982.00
	Sub-Total	18	5,008,842.00
Grand Total		63	16,113,084.37

33. As in previous years, a huge portion of the account balance pertained to fund transfers which have remained unliquidated for more than three years. As shown in the above table, of the balance of ₱16,113,084.37 as of December 31, 2012, ₱ 8,773,672.37 or 53% representing unliquidated balances of 35 LGUs had been outstanding from three to nine years.

34. It has been observed that the LGUs failed to submit RCIs and/or RDs to settle their accounts resulting in extremely long outstanding accounts. This is mainly due to the inability of the RO to monitor the submission by concerned LGUs of the required reports.

35. Despite the action of Management in previous years mobilizing the provincial offices and staff of the region for the retrieval of Liquidation Reports and sending out final demand letters to LGUs, the turnout was very low, from 63% in CY 2010 to 53% as of December 31, 2012 of the LGUs that has past due accounts ranging from one year to more than nine years. The liquidation efficiency was too low making the strategy/action

of DOLE Management which was the “Liquidation Blitz Assessment and Action Planning by Province” ineffective.

36. No report and or comment received from the monitoring team created in the provincial offices regarding this reiterated audit observation during the year under audit. The Region mentioned in our inquiry that their role is only to send follow up letter/memo following up the status report of projects implementation and report of liquidation.

37. **We recommended that Management:**

- **issue final demand letters to LGUs concerned requiring them to submit immediately the RCIs and/or RDs. 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 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.**

Unliquidated funds transferred to NGOs/POs

The Due from NGOs/POs (139) account showed a balance of ₱3,634,546.88 as of December 31, 2012 representing unliquidated funds transferred to 28 NGOs/POs, of which ₱2,244,183.88 remained unliquidated for more than three years, contrary to the provisions of COA Circular 2007-001 dated October 25, 2007.

38. Section 5.3 of COA Circular 2007-001 dated October 25, 2007 provides that the signing officials of the Government Organization (GO) to the Memorandum of Agreement (MOA) shall cause close monitoring and inspection of project implementation and verification of financial records and reports of the NGOs/POs and shall ensure compliance with the provisions of the MOA and of this Circular.

39. Section 5.4 of same Circular also requires 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 GO, together with the inspection report and certificate of project completion rendered or issued by the GO authorized representative, list of beneficiaries with their acceptance/ acknowledgement of the project funds/goods/services received. The validity of these documents shall be verified by the internal auditor or equivalent official of the GO and shall be the basis of the GO in recording the fund utilization in its books of accounts. These documents shall support the liquidation of funds granted to the NGOs/POs.

40. As reflected in the financial reports as of December 31, 2012, the balance of account Due from NGOs/POs (139) was ₱3,634,546.88 representing unliquidated balance of funds transferred to 28 NGOs/POs in CYs 2003 to 2012. Of this amount, ₱2,244,183.88 or 61.75% remained outstanding for more than three years as presented below with details shown in Annex B.

Age	Amount	% to Total
1 year	₱ 623,412.00	17.15
Over 1 year	766,951.00	21.10
Over 2 years	0.00	0.00
Over 3 years	2,244,183.88	61.75
Total	₱3,634,546.88	100.00

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

42. 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.

43. 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.

44. We requested Management to immediately furnish the COA with the reports on the action taken by the RO on the defaulting NGOs 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 been submitted to the audit team.

45. 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, out of the 2011 balance of ₱5,317,018.85 the amount of ₱2,448,511.00 was liquidated during CY 2012.

46. Verification of the reports, however, disclosed that those settled accounts pertained to CY 2012. The financial reports showed that ₱2,244,183.88 remained unsettled for more than three years.

47. 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, 2012. As a result thereof, the account Due from NGOs (139) was understated by the same amount and the Prior Year Adjustments account was also overstated by the same amount.

48. **We recommended that Management:**

- **create/activate the monitoring team at the provincial level to conduct close monitoring and inspection of project implementation as well as verification of financial records and reports of the NGOs/POs and submit a report thereon to the RO;**
- **Require the TSSD to conduct periodic validation of projects based on the monitoring and reports submitted by the provincial team and financial and physical status submitted by NGOs pursuant to 4.5.3 (h) of COA Circular 2007-001 dated October 25, 2007;**
- **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 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.**

Unsubmitted inventory report of PPE for four years

The Report on the Physical Count of PPE for the past three years were not submitted to the Auditor while the Inventory Reports of PPE, except motor vehicles, were submitted to the Audit Team only on March 21, 2013, contrary to Section 66 of the MNGAS, Volume II. Thus, the accuracy of the General Ledger (GL) balances of PPE accounts amounting to P14,589,967.53 as of December 31, 2012 could not be ascertained.

49. The agency conducted physical count of Property, Plant and Equipment (PPE) annually. However, the required annual Report on the Physical Count of PPE (RPCPPE) for the past three years was not submitted to the Auditor. Despite repeated reminders given to the Property Officer as well as to the OIC-Internal Management Services Division, said reports were not submitted up to this time. For CY 2012, the Inventory Reports of PPE (*RPCPPE*), except motor vehicles, were submitted to the Audit Team only on March 21, 2013.

50. As a result of the delayed submission of the required reports, the physical existence of the PPE as well as the accuracy of the GL balances could not be ascertained, casting doubt on the reliability of the PPE account balances of ₱ 14,589,967.53 as of December 31, 2012. Further, reconciliation between property and accounting records could not be made due to the delayed submission of the RPCPPE as of December 31, 2012.

51. Section 66 of the MNGAS, Volume II, provides that the RPCPPE 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. It shall be submitted to the Auditor concerned not later than January 31 of each year.

52. **We recommended that Management strictly observe the provisions of Section 66 of the MNGAS, Volume II on the submission of RPCPPE. Determine the causes of undue delay in the submission of the required inventory reports. If the cause is unreasonable, the salaries of the personnel concerned shall be automatically suspended until such time that the reports are submitted pursuant to Section 4 of Accounting Circular Letter No 2007-001 dated January 19, 2007.**

Non-maintenance of PC and PPELC

The non-maintenance of Property Cards (PC) and Property, Plant and Equipment Ledger Card (PPELC) by the Property Officer and Accountant, respectively, contrary to the provisions of the MNGAS, Volumes I and II, affected the reconciliation of accounting and property records and the determination of the existence of PPE account balances reported in the financial statements. Likewise, index of payments were not maintained by the Accountant in violation of Section 51 of the MNGAS, Volume II.

1. Section 43 of the MNGAS, Volume I provides, among others, that the Accounting Unit shall maintain perpetual inventory records, such as PPELC for each category of PPE. For check and balance, the Property and Supply Unit shall maintain PC for PPE. The balance in quantity per PC should always reconcile with the ledger cards of the Accounting Unit.

53. As provided in Section 42 of the MNGAS Volume II, the PC shall be used by the Supply and Property Unit to record the description, transfer/acquisition, disposal, and other information about the property, plant and equipment. It shall be kept for each class of property, plant and equipment. Transaction shall be promptly posted from source documents. The physical inventory of the property, plant and equipment shall be reconciled with the property cards every year and the discrepancies should be immediately verified and adjusted.

54. On the other hand, Section 12 of the MNGAS Volume II requires that the PPELC shall be kept by the Accounting Unit for each class of asset to record promptly the acquisition, description, custody, estimated life, depreciation, disposal and other information about the asset. The physical inventory of the asset shall be reconciled with the PPELC and the control accounts and any discrepancies shall be immediately verified and adjusted.

55. We noted, however, that PC and PPELC were not maintained by the Property Officer and Accountant, respectively. The absence of these records affected the reconciliation of accounting and property records and the determination of the existence of PPE account balances reported in the financial statements.

56. Moreover, it was also observed that index of payments prescribed under Section 51 of the MNGAS, Volume II, was not maintained by the Accountant. The index of payments shall be used to record payments made to each employee, supplier, and other agency creditors. The corresponding deductions made from claims of employees could not be monitored due to the absence of these indexes.

57. The audit team did not receive any comment from Management regarding this observation.

58. We recommended that Management instruct the RO's Property Officer and Accountant to maintain PCs and PPELC, respectively, as prescribed in the MNGAS Volumes I and II to ensure proper accounting and control of agency properties. Likewise, Management should require the Accountant to maintain index of payments for each employee, creditor or other agency creditors to ensure complete record of agency transactions pursuant to Section 51 of the MNGAS, Volume I.

Grant of clearance to the Regional Director without returning issued cell phones

The former Regional Director was issued clearance without returning the two units cellphones upon her reassignment to DOLE-RO I on February 2012.

59. We noted that the RO's Property Officer signed the clearance of the former Regional Director without requiring her to return the two units of cellphones issued to her. The clearance was likewise approved by the Assistant Director notwithstanding the

notation indicated in the clearance “subject to the return of two units (2) units cellphones”.

60. This showed an inadequate control over the issuance of clearance by agency officials by signing/approving said clearance without requiring first the subject outgoing official to present/return all property items in her custody. While a clearance was issued, the property accountability of the former Regional Director still remained in the books of accounts as well as in the property records.

61. Since a clearance was issued by Management, the officials concerned who signed the clearance as to property and accounts as well as the official who approved the clearance will be held responsible/accountable in the settlement of the property accountability thereof.

62. The incumbent Regional Director informed the audit team that Management already informed the former Regional Director, and in turn very willing to return the cellphones issued to her.

63. We recommended that Management require the former Regional Director, to return the two cellphones in order to settle her accountability otherwise, official/s concerned who signed/approved the clearance will be held responsible in the settlement of the property accountability.

Unaccounted cellphones/No relief from property accountability

Three units of cellphones were allegedly lost without request for relief from accountability from the concerned accountable employees in violation of Section 499 of the GAAM, Volume I. Likewise, the loss was not disclosed in the notes to financial statements pending result of request for relief from accountability contrary to the provisions of Section 48 of the MNGAS, Volume I.

64. Section 499 of the GAAM, Volume I, provides the documents needed to support the request for relief as follows:

- a. Affidavit executed by the accountable officer stating the following facts:
 - Property lost and its valuation;
 - Actual date in which the absence was first noted;
 - Manner of disappearance;
 - Efforts put forth to recover the same;
 - Provisions made to safeguard the property; and
 - date when the loss was reported to the auditor.
- b. Comments and/or recommendations of the agency head

c. Comments and/or recommendation of the auditor as a result of the investigation and evaluation of the causes of the loss and evidences submitted, which shall be listed in his indorsement, taking into consideration the degree of diligence exercised by the accountable officer in the safekeeping of government property under his custody so that negligence on the part of the accountable officer is not an attributable factor to the causes of loss

d. Copy of Acknowledgment Receipt of Property

65. On the other hand, Section 48 of MNGAS, Volume I, requires that, in case of loss of property due to other causes like, theft, force majeure, fire, etc., a report thereon shall be prepared by the accountable officer concerned for purposes of requesting relief from accountability. No accounting entry shall be made but the loss shall be disclosed in the notes to financial statements pending result of request for relief from accountability.

66. Requests for relief from property accountability had been submitted by three personnel, namely: Elizabeth Martinez, Saturnino Martinez, and Elpidio Atal, Jr., however, the requests were returned for submission of additional required documents as required under Section 499 of the Government Accounting and Auditing Manual, Volume I.

67. As of the end of the year, the returned requests of concerned personnel were not yet re-submitted to the audit team.

68. We recommended that Management require the concerned personnel to submit the required additional documents needed in the evaluation of the request for relief from accountability. Likewise, we recommended that the Accountant disclose the loss of the items in the notes to the financial statements as required under Section 48 of the MNGAS, Volume I.

Excessive CNA Incentive

The funds used to pay for the employees' CNA Incentive amounting to ₱3,038,000 for CY 2011 were sourced from the savings generated from MOOE items not allowed under DBM Budget Circular No. 2011-5 dated December 26, 2011. In addition, 72 employees were paid at the rates of ₱32,000 to ₱45,000 instead of the rate prescribed under the same Budget Circular of ₱25,000, or an excess of ₱1,198,000.00.

69. DBM Circular No. 2011-5 dated December 26, 2011, provides the following guidelines, among others, on the grant of CNA Incentive;

- Savings from only the following MOOE items may be used as fund source of the CNA Incentive, subject to the provisions of item 3.4 of the Circular:
 - Traveling Expenses
 - Communication Expenses
 - Repair and Maintenance
 - Transportation and Delivery Expenses
 - Supplies and Materials
 - Utility Expenses

- Savings generated from the following circumstances are not allowed to be used as fund source of the CNA Incentive:
 - Portions or balances of allotments for discontinued or deferred P/A/Ps;
 - Savings from released allotments intended for the acquisition of goods and services that will be distributed/delivered to, or to be used by the agency's clients; and
 - Savings from released allotments from Special-Purpose Funds such as E-government funds, International Commitments Funds, etc.

- The CNA Incentive for FY 2011 shall be determined based on the amount of savings generated by an agency following the guidelines herein, but not to exceed ₱25,000 per qualified employee.

70. Review of disbursements during CY 2011 disclosed that the RO paid a total of ₱3,038,000.00 for the CNA Incentive of its 75 employees covered by Check Nos. 1609009; 1609013; 1609055-1609057 dated December 21 and 23, 2011. Based on Obligation Request No. GF-MOOE-1112.1960, the funds used to pay such incentive was sourced from the savings generated from the following expense accounts which were not allowed under DBM Circular No. 2011-5:

Account	Code	Amount
Other Maintenance and Operating Expenses	969	₱2,138,000.00
Training Expenses	753	600,000.00
Representation Expenses	783	300,000.00
Total		₱3,038,000.00

71. Verification from the Statement of Allotment and Balances as of December 31, 2011 showed, however, that there were no savings generated by the agency from the allowable MOOE items which they can use to pay the CNA Incentive. The Budget Officer issued a certification that the agency has not generated any savings from the allowable MOOE items.

72. Moreover, of the 75 employees, 72 were paid CNA Incentive at the rates of ₱32,000.00 to ₱42,000.00 which exceeded the authorized ceiling of ₱25,000.00 per

qualified employee by ₱7,000.00 to ₱17,000.00, or a total of P 1,198,000.00, as calculated below:

No. of Employees	Actual Payments		Allowable		Excess	
	Rate	Amount	Rate	Amount	Rate	Amount
69	P42,000.00	P2,898,000.00	P25,000.00	P1,725,000.00	P17,000.00	P1,173,000.00
1	32,000.00	32,000.00	25,000.00	25,000.00	7,000.00	7,000.00
2	34,000.00	68,000.00.00	25,000.00	50,000.00	9,000.00	181000.00
72		P2,998,000.00		P1,800,000.00		P1,198,000.00

73. The Regional Director claimed that the CNA Incentive was paid on December 21 and 23, 2011, which was three days ahead of the issuance of DBM Circular No. 2011-5 issued on December 26, 2011. Thus, the incentive paid should not be subject to/covered by the provision of said Budget Circular.

74. The audit team explained that CNA incentives should only be paid after determining the savings of the office as of the end of the year. The RO was not able to generate savings from the allowable item of expenditures in the MOOE for CY 2011 as certified by the Budget Officer.

75. We recommended that Management require the refund of the total amount of P1,198,000.00 representing CNA Incentive charged against unauthorized MOOE items and in excess of the allowable amount of ₱25,000 per qualified employee. Henceforth, payment of CNA Incentive should be sourced from savings generated from authorized MOOE items only and limited to the prescribed rate per qualified employee.

Illegal payment of 1st 30 days traveling allowance

The payment of first 30 days travelling allowance upon assumption on February 1, 2012 of the OIC-Regional Director of DOLE Regional Office No. II was not supported with legal basis in claiming thereof.

76. Pursuant to Administrative Order No. 518 dated December 20, 2011, the designated OIC-Regional Director of the RO assumed office on February 1, 2012. Examination of disbursements showed that the RO paid him travelling allowance equivalent to his first 29 days (February 1-29, 2012) in office in the amount of ₱23,200 (₱800 x 29) covered by Check No. 1658287 dated March 2, 2012.

77. We noted, however, that the Disbursement Voucher (DV) was not supported by document authorizing such claim for travel allowance. The only attachment to the DV was a copy of DOLE Administrative Order No. 518, series of 2011.

78. The Regional Director informed that he did not claim any per diems during his first whole month of stay in Region II. He claimed instead, his 1st 30 days stay as newly assigned Director of Region II, which is an extended privilege to newly transferred

Directors. Management, however, did not submit any other justifications and legal basis in the grant of said travelling allowance.

79. The grant of travel allowance for the 1st 30 days of newly assigned director to the region lacks legal basis, hence the concerned official and signatories of the claim must submit the authority to collect/legal basis for the paid 1st 30 days of the Director to avoid disallowance in audit.

80. We recommended that Management submit the legal basis for the payment of the 1st 30 days travel allowance of the OIC-Regional Director.

Payment of salaries of unqualified student under SPES

Laxity in the implementation of the age limit requirement under the implementing rules and regulations of RA 7323, resulted in the payment of salaries amounting to P4,240.00 to a student who already exceeded the age limit.

81. The Special Program for the Employment of Students (SPES) aims to assist poor but deserving students find employment during summer and/or Christmas vacation. The DOLE shares 40% in the payment of the salaries of students while the entity/company or government agencies where the students are employed pay the 60% as mandated under RA 7323.

82. Section 1 of Rule III of the Implementing Rules and Regulations of (IRR) of RA 7323 provides the eligibility and requirements for employment of students, as enumerated below:

- At least 15 years of age but not more than 25 years old;
- Enrolled during the school year/term or enrolled during the school year/term immediately preceding the summer vacation or who has dropped out of school and who intends to continue his education;
- The combined net income after tax of parents is not more than the regional poverty threshold level for a family of six (6); and
- At least garnered an average passing grade during the school year/term.

83. Review of disbursements for the payment of salaries of students under the SPES disclosed, however, that a student has been continuously employed under the program even if he already exceeded the age limit requirement of 25 years old under the IRR of RA 7323. He was already 27 years of age and still continued to be employed under the program. The details of payments to him are presented below:

Check		Payee	Particulars	Amount
Date	No.			
2/02/12	77949	Algernon V. Alfonso	Salaries for 2 nd Semester 2011	P2,640.00
8/10/10	73281		Salaries for Summer 2010	1,600.00
Total				P4,240.00

84. The SPES focal person informed that the student will be notified and required to refund the amount. however we have not yet received any the comment/action from management despite several follow ups.

85. The Regional Director explained that since the student rendered service, then he should be paid the amount of ₱4,240.00 . On the other hand, the accountant mentioned in our informal dialogue that the signatories on the DV will assume the burden to pay the amount as the payments were contrary to the IRR of RA 7323.

86. We recommended that Management require the refund of ₱4,240.00 paid to ineligible student beneficiary from persons determined liable for the payment thereof. Strictly adhere to the IRR on age requirement of students to be employed under the SPES. Review carefully the applications of students prior to payment of their salaries.

Non-compliance with MOA provisions under the Workers' SEED

The tuition and miscellaneous fees were paid directly to scholars instead of paying to the educational institution concerned which is not in keeping with the provisions of the Memorandum of Agreement (MOA).

87. One of the DOLE's program is the Workers' Self Employment and Entrepreneurship Development (SEED), which is envisioned to achieve in a fair and equitable manner the enhancement of the leadership capabilities and potentials of union leaders and members toward a pro-active and dynamic role in national development. As such, the union shall adhere to the policies of the scholarship program and abide with its terms and conditions as contained in Department Order No. 26.

88. The MOA duly signed by DOLE Director and Association President explicitly stated that DOLE shall make direct payments to the (Educational Institution) representing tuition fees of the scholar.

89. However, we noted that the payees indicated in the various DVs covering payments of tuition and miscellaneous fees were the names of the scholars instead of the names of the educational institutions as provided under the MOA. This indicates that there was no control in place to ensure that the amounts were paid in full by the scholars to the schools concerned. Further, the disbursement vouchers were not supported with official receipts evidencing receipt of payment by the schools.

90. It is stressed under the special provisions of the MOA that it is mutually agreed between the parties that any and all violation of the terms and conditions of the MOA shall subject the guilty party to the payment of damages, aside from costs of suit and attorney's fees. Accordingly, it shall give the other party the option to rescind the MOA without need of judicial action.

91. We recommended that Management strictly adhere to the provisions of the MOA by paying the tuition and miscellaneous fees of scholars directly to the educational institution concerned to ensure settlement of DOLE obligation to the educational institutions as provided under the MOA.

Delayed submission of financial/accounting reports

The accounting personnel failed to submit timely the various financial and accounting reports and other supporting documents for the fiscal year 2012 as required in Section 7.2 of COA Circular 2009-002 dated September 15, 2009, Sec. 450 of Government Accounting and Auditing Manual (GAAM) and Accounting Circular Letter 2007-001 dated January 19, 2007.

92. Section 7.2.1 of the COA Circular states that the Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure that:

- The reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the Auditor within the first ten (10) days of the ensuing months;
- The financial records are made accessible at the reasonable hours to the Auditor or his authorized representatives when needed.

93. Sec. 450 of GAAM Volume II also states that:

“xxx... Government Agencies shall submit the monthly Trial Balance to the COA Unit Auditor and Department of Budget and Management (DBM) within ten days after the end of each month; the quarterly Trial Balance to the COA Unit Auditor, Accountancy Office and DBM within ten days after the end of each quarter; and the year-end Trial Balance not later than February 14 of the following year.xxx”

94. Further, Section 3.1 of Accounting Circular Letter No 2007-001 dated January 19, 2007 requires the Chief Accountant/Head of Accounting Unit to submit directly to the Government Accountancy Services (GAS) of COA Central Office and Audit Team Leader (ATL)/Auditor concerned, the year-end financial statements and reports/schedules, on or before February 14 of each year.

95. Section 4 of same Circular letter also states that “Failure of officials/employees concerned to comply with the requirements of this Accounting Circular shall cause the automatic suspension of the payment of their salaries and other emoluments until they have complied therewith. Violation of this provision for at least three(3) times shall subject the offender to administrative disciplinary action imposed under Section 55, chapter 10, title 1.B, Book V of Executive Order No 292, the Administrative Code of 1987”.

96. The accounting personnel failed to submit on a timely basis the financial and accounting reports/disbursement vouchers ranging from more than three months to five months during the year 2012 (Please see attached schedule). Despite of several follow-ups and reminders, same has not been complied with. We noted that the disbursements vouchers, financial reports for MDS, AP, AEP and RCC submitted were as of June, 2012 while the SPES disbursement vouchers submitted to the auditor were as of November, 2012.

97. *The disbursement vouchers for July up to December 2012, were only submitted February 25 and 26, 2013.*

98. **We recommended that management require the accountant to adhere strictly to the requirements Section 7.2 of COA Circular 2009-002 dated September 15, 2009, Sec. 450 of Government Accounting and Auditing Manual (GAAM) and Accounting Circular Letter 2007-001 dated January 19, 2007. Otherwise, imposition of penalty to officials/employees concerned will be made accordingly in accordance with Section 4 of Accounting Circular Letter No 2007-001 dated January 19, 2007.**

99. **Advise the accountant to submit immediately the accounts from July, 2012 to December, 2012. Further, management should cause the immediate suspension of salaries of official/employees concerned until such time that the required reports are submitted in accordance with Section 4 of the Accounting Circular Letter No 2007-001 dated January 19, 2007.**

VALUE FOR MONEY

SPES beneficiaries were not fully paid within the period prescribed in the IRR of RA 9547 as payments to at least 195 students amounting to P 579,118.63 in CY 2012 for the 40% share of DOLE were delayed by six (6) to 30 days or not paid at all as manifested by stale and unreleased checks amounting to ₱799,467.18 and ₱579,118.63, respectively, as of December 31, 2012, thus affecting the attainment of the program objective of helping poor but deserving students pursue their education by providing income or augment their income.

99. The Special Program for the Employment of Students (SPES) was instituted by the late President Corazon C. Aquino who signed into law the Republic Act (RA) 7323 on March 30, 1992. Its objective is to develop the intellectual capacities of children of poor families and harness their potentials for the country's well being. Specifically, the program aims 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. Subsequently, R.A. 7323 was amended by R.A. 9547, an Act strengthening and expanding the coverage of the SPES.

100. 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 below:

Reference	Selected Provisions
Section 2, Rule IV	<p><i>Period of Employment</i></p> <ul 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>For Christmas implementation, the number of days shall neither be less than ten working days nor more than 15 working days.</p> <ul 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><i>Payment of Salary or Wage</i></p> <p>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><i>Duties and Responsibilities of Employer</i></p> <p>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><i>Role of DOLE</i></p> <p>The DOLE shall serve as the SPES Program Manager. Its Regional and Field Offices shall, among others:</p> <ul 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

Reference	Selected Provisions
	Establishment Report Form (Form 2) from the PESO. <ul style="list-style-type: none"> • 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	<i>Role of PESO</i> The PESO shall serve as the frontline implementer of the SPES. Specifically, it shall, among others: <ul 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 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.

101. Based on the foregoing provisions, the DOLE Regional/Field Offices shall pay the student beneficiaries the 40% 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 Regional/Field Offices	Receipt 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

102. The audit team reviewed the payrolls and supporting documents for the payment by the DOLE RO2 of the 40% share of DOLE in the salaries or wages of student beneficiaries for checks prepared in November and December 2012 to determine whether payments were made on a timely manner. Results of review disclosed that of the 9,261 students who received their checks amounting to ₱16,025,721.72, nobody was able to receive salaries or wages within the prescribed period. All payments to students were delayed by six (6) to 30 days, see revised SPES Template No. 3, Annex A, and as presented below:

Check Date (CY 2012)	Claimed Checks				Total Claimed Checks		Period of Employment
	With Date of Receipt		Without Date of Receipt				
	No. of Checks/ Students	Amount	No. of Checks/ Students	Amount	No. of Checks/ Students	Amount	
January	47	115,056.00	135	227,820.00	182	342,876.00	Various Dates
February	327	589,896.00	178	373,440.00	505	963,336.00	
March	134	308,850.49	32	83,879.99	166	392,730.48	
April	5	12,644.00	2	6,588.00	7	19,232.00	
May	-	-	40	105,360.00	40	105,360.00	
June	198	330,030.00	518	881,781.60	716	1,211,811.60	
July	923	1,554,931.84	1,453	2,304,521.23	2,376	3,859,453.07	
August	627	1,188,953.35	1,041	1,689,503.92	1,668	2,878,457.27	
September	586	1,047,134.23	967	1,687,390.60	1,553	2,734,524.83	
October	490	956,899.19	389	503,496.85	879	1,460,396.04	
November	262	414,411.12	653	1,024,047.31	915	1,438,458.43	
December	158	436,170.00	96	182,916.00	254	619,086.00	
Total	3,757	6,954,976.22	5,504	9,070,745.5	9,261	16,025,721.72	

103. 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% payroll which would be the basis for the preparation of 40% payroll is incomplete or not submitted by the PESO to DOLE-RO II.

104. It was also noted that as of December 31, 2012, 239 checks amounting to P 799,467.18 which were prepared from August 2009 to June 2012 remained unclaimed from the Post Office, hence, it was returned to DOLE RO II and became stale, while 195 checks amounting to ₱579,118.63 which were prepared from June to December 2012 remained unreleased/unclaimed. Thus, the funds were not utilized for the intended purpose. Details are shown in the following table.

Month Prepared	Stale		Unreleased	
	No. of Students/ Checks	Amount	No. of Students/ Checks	Amount
Aug. 2009	4	P 9,168.00		
Sept. 2009	1	2,292.00		
Oct. 2009	2	4,584.00		
Jan. 2010	8	18,336.00		
Aug. 2010	5	14,516.00		
Sept. 2010	6	18,336.00		

Nov. 2010	2	6,112.00		
Jan. 2011	1	3,232.00		
May 2011	1	2,600.00		
Jun. 2011	6	18,160.00		
Jul. 2011	12	32,744.80		
Aug. 2011	7	18,360.00		
Sept. 2011	23	60,911.20		
Oct. 2011	27	71,417.12		
Nov. 2011	27	74,499.84		
Dec. 2011	43	128,813.92		
Jan. 2012	27	85,214.35		
Feb. 2012	12	41,182.50		
Mar. 2012	13	148,131.45		
May 2012	7	25,900.80		
Jun. 2012	5	14,955.20	4	P 11,017.92
Jul. 2012	-	-	25	68,754.46
Aug. 2012	-	-	9	32,261.72
Sept. 2012	-	-	30	90,263.87
Oct. 2012	-	-	63	168,671.88
Nov. 2012	-	-	56	184,041.90
Dec. 2012	-	-	8	24,106.88
Total	239	P799,467.18	195	P579,118.63

105. According to the DOLE 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.

106. 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.

107. **We recommend that Management:**

- q. **Ensure that student beneficiaries are paid their 40% 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% share of DOLE;**
- r. **Require the TSSD and DOLE-RO2 Field Offices to closely monitor the PESOs to ensure that the list of checks were actually posted and student beneficiaries were informed of their claims; and**
- s. **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.

SPES funds amounting to P1,107,664.45 were utilized to pay various expenses not related to the implementation of the program contrary to Section 145 of the Government Accounting and Auditing Manual, Volume I, thus depriving potential program beneficiaries to avail benefits under the program.

108. The Special Program for the Employment of Students (SPES) was created on February 6, 1992 through the passage of Republic Act (RA) No. 7323, an Act to help poor but deserving students pursue their education by encouraging their employment during summer and/or Christmas vacations, through incentives granted to employers, allowing them to pay only sixty per centum of their salaries or wages and the forty per centum through education vouchers to be paid by the government, prohibiting and penalizing the filing of fraudulent or fictitious claims and for other purposes. On April 1, 2009, the coverage of the SPES was strengthened and expanded by the passage of RA 9547.

109. Section 8 of the Implementing Rules and Regulations (IRR) of RA 7323 as amended, defines the role of the Department of Budget and Management (DBM) in ensuring that SPES fund is increased by at least twenty percent 20% annually subject to the availability of funds to be released regularly.

110. Analysis of the agency's Work and Financial Plans and allotments released by DBM showed that the DBM was not able to increase annually the SPES budget for CYs 2009 and 2010. However, for CYs 2011 and CY 2012, allotment released remarkably increased by 106% and 29%, respectively, thus exceeded the required annual minimum increase of 20% annually, to wit:

CY	No. of Beneficiaries	Allotment	Increase	
			Amount	%
2009	6,090	P 8,097,000.00		
2010	6,925	8,209,600.00		
2011	8,553	16,941,621.00	P 8,732,021.00	106
2012	10,337	21,939,395.00	4,997,774.00	29
Total	31,905	P 47,090,616.00		

111. As shown in the table, the allotments for the program for CY 2012 amounted to P 21,939,395. Records revealed that of this amount, P 18,596,575.10 was obligated, of which P 17,599,854.17 was disbursed, leaving an unexpended balance of P 3,342,819.90 as of December 31, 2012.

112. Section 145 of the Government Accounting and Auditing Manual (GAAM), Volume I, states that" *All moneys appropriated for functions activities, projects and*

programs shall be available solely for the specific purposes for which these are appropriated.”

113. Review of expenses charged to the SPES funds in CY 2012 disclosed that expenses which were not related to the implementation of SPES amounted to P1,107,664.45. Details are presented below:

Nature of Expenses	Amount
CNA Benefits of DOLE RO 2 officials and employees , CY 2012	₱ 1,093,000.00
TEV on Jan.30-Feb, 1, 2012, attend turn-over ceremony in La Union	1,200.00
TEV on Feb. 2-3, 2012- Livelihood activity	700.00
TEV on April 30-May 1, 2012 Job Fair in Santiago City	990.00
TEV on May 23-25 for Livelihood activity in Saguday, Aglipay and Zamora	1,840.00
TEV June 11-12 attended Job Fair in Tuguegarao City	1,900.00
TEV on June 11-12 for Job Fair in Maddela, Quirino and Tuguegarao City	2,720.00
TEV July 31; August 1-3 , 2012-attend meeting re: food processing; convergence meeting, finalize prep. of docs. re National search for best PESO in Saguday, Diffun, Cordon and Tuguegarao.	2,255.00
Reimbursement of gasoline for Crosswind-TT#031-2012 to attend 2012 DOLE Wide CORPlanning Exercise Program and CES Board Session	3,059.45
Total	1,107,664.45

114. **We recommend that Management strictly adhere to the provisions of Section 145 of the GAAM, Volume I. Refrain from using the SPES funds for other purposes. Limit expenses charged to SPES funds to the implementation of the program.**

SETTLEMENT OF ACCOUNTS

There were no Notices of Suspension or Notices of Disallowance issued during CY 2012 as Management opted to settle the amounts after the issuance of AOM.

GENDER AND DEVELOPMENT (GAD)

For CY 2012, the RO’s expenses for GAD activities amounted to ₱10,052,000.00 which was 12.79 percent of the RO’s total budget of ₱78,566,704.00. The required minimum allocation for GAD was ₱3,928,335.29 equivalent to 5 percent of the RO’s total budget.

Some GAD activities as planned for CY 2012 were not attained/accomplished, however, there were activities that exceeded its target. The activities/expenses were focused on women.

COMPLIANCE WITH TAX LAWS

The agency withheld correct amount of taxes from compensation and outside creditors for CY 2012 and correspondingly remitted the same to BIR. However, in CY 2011, of the tax withheld of ₱18,753.07 for the monetized leaves of employees, only ₱16,815.15 was remitted to the BIR, thereby leaving an unremitted balance of ₱1,937.92.

D. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We made follow-ups of the action taken by DOLE RO2 Management to implement the recommendations embodied in the 2010 ML and 2011 AAR . Out of the 24 prior years' audit recommendations, six (6) were fully implemented, 14 were partially implemented and four (4) were not implemented at all.

The details of status of implementation of prior years' recommendations are presented in Annex C.

E. ACKNOWLEDGEMENT

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.

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 95, General Provisions, General Appropriations Act (RA 10155).

Very truly yours,

DARIA B. SISON
State Auditor V
Supervising Auditor

Copy furnished:

The Secretary
Department of Labor and Employment
Intramuros, Manila