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Republic of the Philippines
COMMISSION ON AUDIT
Department of Labor and Employment
Regional Office No X
Cagayan de Oro City

August 26, 2014

ATTY. RAYMUNDO G. AGRAVANTE
Regional Director
Department of Labor and Employment- Region X
Cagayan de Oro City

Dear **Director Agravante:**

**Management Letter on the Audit of the
Department of Labor and Employment-Regional Office X
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 (DOLE-RO) X 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. Silveria C. Tagadiad, State Auditor III, to (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior 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 Observations Memoranda (AOMs). The audit observations and recommendations were discussed with with concerned DOLE-RO X officials and employees on an exit conference conducted on February 27, 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's 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, including DOLE-RO X which was established on June 8, 1960 by virtue of Republic Act No. 2646.

Personnel Complement

7. The Regional Office is under the leadership of Regional Director Atty. Alan Macaraya and assisted by Assistant Regional Director Crispin D. Dannug, CESO IV. For CY 2013, it was manned by 77 personnel 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); Med-Arbitration Unit; and Provincial Extension Offices of Misamis Oriental, Misamis Occidental, Bukidnon, Camiguin and Lanao del Norte-Iligan District Office.

Financial Profile

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

Particulars	CY 2013	CY 2012	Increase (Decrease)
A. Financial Condition			
Assets	₱ 68,956,772.27	₱28,311,473.38	₱40,645,298.89
Liabilities	11,563,776.87	640,644.77	10,923,132.10
Government Equity	30,756,322.07	27,670,828.61	3,085,493.46
B. Results of Operations			
Total Income	109,286,246.47	92,886,727.71	a16,399,518.76
Total Expenses	98,647,724.64	87,130,269.80	11,517,454.84
Excess of Income over Expenses	10,638,521.83	5,756,457.91	4,882,063.92
C. Sources and Application of Funds			
Sources of Funds			

Particulars	CY 2013	CY 2012	Increase (Decrease)
Continuing Appropriation:			
Maintenance and Other Operating Expenses (MOOE)	0.00	0.00	0.00
Total	0.00	0.00	0.00
Allotment:			
Personal Services (PS)	41,926,786.34	37,189,000.00	4,737,786.34
MOOE	67,359,460.13	55,285,329.68	12,074,130.45
Capital Outlay (CO)	0.00	384,000.00	384,000.00
Total	109,286,246.47	92,858,329.68	16,427,916.79
Application of Funds:			
PS	41,926,786.34	37,189,000.00	4,737,786.34
MOOE	56,720,938.30	50,266,679.68	6,454,258.62
CO	0.00	384,000.00	384,000.00
Total	98,647,724.64	87,839,679.68	10,808,044.96

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Accomplishments for CY 2013 as follows

Program	Target	Accomplishment	Rate (%)
1. Job Fair <i>Hired on the Spot (HOT)</i>	21 2,934	28 5,173	133% 176%
2. Posting of Job Vacancy	30,820	40,535	132%
3. Skills Registry System	10	10	100%
4. PESO Institutionalization	9	11	122%
5. BEST PESO Nomination	6	5	83%

6.	Basic Employment Services Training	16	23	144%
7.	Labor Education for Graduating Student (LEGS) <i>Private LEGS Public</i>	3,500 655	5,593 858	160% 131%
8.	Career Guidance Advocacy Conducted	150	174	116%
9.	Career Guidance Network	6	6	100%
10.	Permit, Licenses, Certificate And Clearance AEP, PRPA, Contractor and Sub-Contractor	159	159	100%
11.	Self-Assessment	53	65	123%
12.	Inspection Approach	1,500	1,579	105%
13.	Training and Advisory (TAV)	21	22	105%
14.	Kapatiran WISE-TAV	9	9	100%
15.	Labor, Human Relations and Productivity (LHP)	40	49	123%
16.	Conduct Advocacy on OSH, DO 13 and DO 18-A	8	10	125%
17.	Single Entry Approach (SENA)	73%	87%	119%
18.	SPEed	6	6	100%
19.	Family Welfare Program	20%	21%	105%
20.	Implementation of the Social Amelioration Program in the Sugar Industry Monitoring of Cash Bonus Fund <i>Monitoring of Current Crop Year</i> <i>Cash Bonus</i>			100% 100%
21.	Capacity Building for Livelihood (DILP) Self-Employed	3,976	4,466	112%
22.	Youth Entrepreneurship Support (YES)	6	6	100%
23.	Creation of ITC (Industry Tripartite Council)	6	7	117%
24.	Voluntary Code of Good Practices (VCGP)	6	6	100%
25.	Workers Organization Development Program (WODP) <i>Training</i>	2 3	2 3	100% 100%
26.	Implementation of Child Labor Program	7	10	143%
27.	Implementation of Anti-Illegal Recruitment and Anti-Trafficking Program	7	12	171%
28.	Termination Report to BLES Job Displacement Monitoring System Report	12	12	100%
29.	Integrity Development Program	4	4	100%
30.	Strategic Performance Management System Communication Program <i>Disseminated/published at least 10 releases/month</i> <i>Appeared/guested in TV, radio program</i> <i>Conducted press briefings at least once a month</i>	120 12 12	136 12 12	113% 100% 100%
31.	Statistical Performance Reporting System (SPRS) <i>Submission of Physical Accomplishment</i> <i>Submission of Physical Accomplishment to PS</i> <i>Submitted Quarterly Program Assessment report to PS</i>	12 12	12 12	100% 100%

	12	12	100%
32. Financial Management A. Fund Utilization <i>Submitted Minority Statement of Allotment Obligation and Allotment (SAOB) Report</i>			100% 100%
33. HRD Interventions <i>Seminars</i> <i>Filled up 100% Vacant Positions</i> <i>Submitted report on training to HRDS</i>	4 2	4 2	100% 97% 100%
34. DOLE Citizen Charter <i>Documented work process and of December 2013</i> <i>Pass 1st Phase of ISO Certification</i> <i>Pass 2nd Phase of ISO Certification 18 frontliner services</i> <i>Submitted monthly report</i>			100% 100% 100%
	12	12	100%

A. SUMMARY OF RECOMMENDATIONS

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

10.

a) strictly adhere to the provisions of Section 22 of the Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of Executive Order No. 292 in the grant of monetization of leave credits:

- direct the Accountant to process only claims for monetization of leave credits with properly accomplished Application for Leave; and
- require the concerned personnel to refund for the amount of ₱750,652.05.

b) require the Accountant to submit to the Office of the Auditor the lacking documents, and henceforth refrain from paying honoraria without the required supporting documents.

c) direct the Supply Officer to conduct physical count of inventories every six months and submit the report duly reconciled with the SC and SLC using the form prescribed in Appendix 62 of the manual on NGAS, Volume II;

- i. direct the Chief accountant to regularly update all the SLCs, and to reconcile accounting records with those of the supply office to determine any discrepancy in the balances for appropriate action: and
- ii. instruct the Accountant and the Supply Officer to reconcile and/or adjust balances to come up with accurate balances of inventory accounts and PPE accounts.

d) instruct the Community Facilitator concerned to strictly adhere to the provisions of COA Circular Nos. 2009-001 and 2009-002 to enable the auditor concerned to conduct the review of purchase/letter orders and deliveries on time.

e) determine the proper disposition of these unserviceable instruments/ devices to avoid further deterioration;

- transfer the instruments/devices without cost to other government agencies in need of such; and
- identify priority equipment needed to avoid wastage of government funds

f) management to 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.

g) require the Regional Accountant to make proper accounting of the collections and disbursements of the LAKAW TA funds.

- require the concerned accountable officers to issue official receipt or pre-numbered acknowledgement receipt to acknowledge receipt of funds from the donors pursuant to Section 68 of PD 1445.

h) require the Bids and Awards Committee (BAC) to submit written justification for resorting to shopping in the procurement of such items; and

- ensure that shopping will only be applied in cases enumerated in Section 52 of RA 9184 and its IRR.

i) require to increase the amount of the SC/DOs to cover their respective maximum cash accountabilities.

- require management to strictly observe the provisions of Treasury Circular No. 02-2009 in the bonding of SC/Dos.

j) require concerned officers to immediately act on the defects/deficiencies noted during the validation for the full implementation and sustainability of the projects in order not to deprive the beneficiaries of the benefits to be derived from the projects, and closely monitor the implementation of funded livelihood projects.

k) should ensure that the students beneficiaries are paid their 40 percent salaries within 11 days prescribed period.

- require the employers, PESO and DOLE-X 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 X 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 percent salaries.
- instruct the Provincial Offices to exert more effort to locate the missing student beneficiaries.

1) require the concerned LGU and NGOs/POs to immediately submit liquidation reports for funds received and direct the program implementors/facilitators to exert utmost effort to monitor the implementation of the projects and assist the beneficiaries in the preparation and consolidation of their terminal/liquidation reports to ensure correctness of liquidation reports and immediate/prompt submission of liquidation reports. Factors that cause the delay in the submission of reports/documents should be accordingly identified so that remedial measures can be instituted.

- to strictly enforce compliance by the LGUs and NGOs /POs with the prescribed period of submission of liquidation reports.

B. DETAILED OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL AND COMPLIANCE

Monetization

Claims for monetization of leave credits by DOLE-RO X personnel in CY 2013 amounting to ₱1,206,849.54 were charged to Other Maintenance and Operating Expenses instead of to Personal Services account, of which ₱232,211.74 were paid despite insufficient earned leave credits contrary to Section 6 of the Manual on the New Government Accounting System (MNGAS) Volume I and Section 22 of the Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of Executive Order No. 292.

11. Section 22 of Omnibus Rules on Leave , Rule XVI of the Omnibus Rules Implementing Book V of Executive Order No. 292 states that:

“Officials and employees in the career and non- career service, whether permanent, temporary, casual or co-terminus, who have accumulated 15 days of vacation leave credits shall be allowed to monetize a minimum of 10 days; provided that at least 5 days is retained after monetization and provided further that a maximum of thirty (30) days may be monetized in a given year.”

12. Item 5.14 of COA Circular No. 2012-001 dated June 14, 2012 on the Revised Guidelines and Documentary Requirements for Common Government Transactions particularly on the Monetization of Leave Credits also states the same provision as cited in the Omnibus Rules on Leave.
13. Moreover, Section 6 of the Manual on the New Government Accounting System (MNGAS) Volume I requires that all personnel benefits shall be charged to Personal Services Appropriation.
14. Review of disbursement vouchers and supporting documents for CY 2013 disclosed that payments for the monetization of leave credits ranging from five (5) to 39 days of the DOLE-RO’s officials and employees amounted to ₱1, 206,849.54. It was noted, however, that such payments were charged to Maintenance and Other Operating Expenses instead of Personal Services Personal Services account.
15. Moreover, of the total payments of ₱1,206,849.54 for the monetization of leave credits, ₱232,211.74 was allowed to personnel with no leave credits, leave credits below the required accumulated 10 days’ vacation leave credits, as summarized below with details show in Annex A:

Particulars	No. of Personnel	Amount Claimed
Insufficient Leave Balance	15	₱178,486.82
Monetized vacation leave credits below 10 days	5	53,724.92
Total	20	₱232,211.74

16. It was also observed that some applications for leave do not bear the signature of the applicant, certification of leave balances not certified by the HRMO, and number of days to be monetized was not specified in the Application for Leave.
17. The Administrative Officer explained that sick leave balances were considered in the required minimum of five-day vacation leave balance based on a Memorandum issued by the Secretary of the Department of Labor and Employment dated February 4, 2004 authorizing the grant of sick leave monetization to their personnel/employees.
18. The audit team noted, however, that under DOLE Memorandum dated May 17, 2012 issued by the DOLE Secretary, the employees are authorized to avail of the 10-day monetization and 50 percent of their accumulated leaves but not to exceed ₱30,000.00 per annum. It does not clearly provide the inclusion of sick leave credits as part of the balances required to avail of the monetization benefits.
19. Non-compliance with the provisions of Section 22 of the Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of Executive Order No. 292 caused the RO to incur additional expenses of ₱232,211.74 for CY 2013.
20. We recommend that Management:
 - **Strictly adhere to the provisions of Section 22 of the Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of Executive Order No. 292 in the grant of monetization of leave credits;**
 - **Direct the Accountant to process only claims for monetization of leave credits with properly accomplished Application for Leave; and**
 - **Require the concerned personnel to refund for the amount of ₱232,211.74**
21. In reply to our AOM, Management cited Memorandum Circular No. 16 series of 2002 and CSC Resolution No. 020731 on the Amendment to Section 23, Rule XVI of the Omnibus Rules on Leave which reads: Monetization of fifty (50%) or more of vacation/sick leave credits maybe allowed for valid and justifiable reasons such as...,of which it is on this provision that Regional Management approved and granted monetization of leave credits to their employees.
22. Management likewise requested for reconsideration and be allowed rectify the leave applications submitted with deficiencies noted.Likewise, reasoned out that Payment of monetization benefits was charged to MOOE Appropriation.
23. Auditor's Rejoinder:

The contention of the management thru the Human Resource Officer citing the provisions on CSC Resolution No. 020731 on the amendment of Section 23, Rule XVI of the Omnibus Rules on Leave has no bearing considering that per review of the Application for Leaves attached to the claim, it appears that only one had requested for the monetization of 50% of her earned leaves. The rest of them only requested for 5 to 10 days monetization hence, the provision of Section 22 of the Omnibus Rules on Leave will prevail over the issue.

In addition, , the Office of the Civil Service Commission, Region X in reply to our query, commented that “ **Leave credits earned from sick leave cannot be used to offset the deficiency of (5) day leave balance for one to qualify and avail the 10 days monetization benefits.**” What is specifically provided in Section 22, of the Omnibus Rules on Leave is the accumulated 15 days of vacation leave credits only not sick leave.

In view of the foregoing, the Audit Team, maintains her stand regarding the recommendation that the concerned employees/officials who availed of the monetization benefits with insufficient leave credits are required to refund the amount claimed.

SRO CARP Honorarium

Honoraria for resource speakers/consultants amounting to ₱42,000.00 were paid without supporting documents contrary to Section 4(6) of PD 1445 and COA Circular No. 2012-001, hence, the validity and propriety of the claims could not be established.

24. Section 4(6) of PD 1445 states requires that claims against government funds shall be supported with complete documentation.

25. COA Circular No. 2012-001 dated June 14, 2012 likewise provides the revised guidelines and documentary requirements for common government transactions. For the payment of honoraria , the following documents are required:

- Office Order
- Plan/Program of Activities
- Accomplishment Report/Certificate of Completion of Programmed Activities
- Certificate of Acceptance by the Agency Head of the Project Output.

26. Review of disbursement vouchers revealed, however, that three resource speakers were paid honoraria amounting to ₱42, 000.00 in the conduct of seminars/trainings without supporting documents. The details are presented below:

Check No.	Date Issued	Payee	Amount	Activity Conducted
348171	03/24/13	NicandroMosqueda	₱ 12,000.00	Net Working of Partnership Building
348186	05/24/13	Nelia Cainglet	12,000.00	Project Development & Management
348199	07/01/13	Francisco Pandan	6,000.00	Swine Fattening
348242	12/16/13	Francisco Pandan	12,000.00	Curriculum Development Training
Total			₱42,000.00	

27. The validity and propriety of the above payments could not be established as these were not supported by the following documents/information:

- Invitation to the claimant for the service as Resource Person with corresponding terms of reference
- Records showing his/her credibility in the chosen field
- Schedule/Modules of Topics to be discussed
- Certification from the Community facilitator that the services has been rendered by the claimant

28. We recommend that Management require the Accountant to submit to the Office of the Auditor the lacking documents, and henceforth refrain from paying honoraria without the required supporting documents.

29. The SRO Community Facilitator reasoned out that required documents to support the claims were attached to the disbursement vouchers during their first claims but promised to adhere to the said provisions on their succeeding claims.

Failure to conduct Public Bidding

Office/computer supplies and IT equipment totaling ₱1,125,523.88 were procured thru shopping instead of competitive bidding contrary to Section 52 of RA 9184 and its Revised Implementing Rules and Regulations (IRR) thus, depriving the agency of the opportunity to obtain prices most advantageous to the agency.

30. Section 52 of Republic Act (RA) No. 9184 provides the conditions when shopping as a mode of procurement will be used, quoted as follows:

”Shopping is a method of procurements of goods whereby the procurement entity simply requests for the submission of price quotations for readily made available off-the-shelf goods or ordinary/regular equipment to be procured directly from suppliers of known qualifications. This method of procurement shall be applied in any of the following cases:

- A) When there is an unforeseen contingency requiring immediate purchase. Provided, however, that the amount shall not exceed the threshold prescribed in Annex “H” of this Republic Act.*
- B) Procurement of ordinary or regular office/computer supplies and equipment not available in the “Procurement Service “ involving in an amount not exceeding the threshold prescribed in Annex “H” of this RA. Furthermore, the phrase” extraordinary or regular supplies” shall be understood to include these supplies/commodities or regular materials which depending on the procuring entities mandate and nature of operations, are necessary*

in the transactions of its official businesses and consumed in the day to day operations of said procuring entity.

C) However, office supplies shall not include services such as repair and maintenance of equipment and functions as well as teaching, hauling, janitorial, security and related or services.”

21. Review of disbursement vouchers revealed that several procurement of office and computer supplies, equipment amounting to ₱1,125,523.88 were made thru shopping instead of public bidding. The details are shown below:

Description	Amount
Office Supplies	₱ 418,815.39
Computer Supplies	125,829.64
IT Equipment	580,878.85
Total	₱ 1,125,523.88

22. While shopping is allowed as one of the alternative modes of procurement, the law provides certain conditions and limitations on its application specified under Section 52 of the IRR of RA 9184. Further verification revealed that most of the procurement do not actually claim an unforeseen contingency that will require immediate purchase as these goods/supplies were regular purchases and the usage of which is expected ahead of time and supposedly included in the Annual Procurement Program (APP) and available in the Procurement Service.

23. Thus, this practice deprived the agency from obtaining the most advantageous price or huge discounts that could have been derived had the procurement was made thru public bidding.

24. We recommend that Management:

- **Require the Bids and Awards Committee (BAC) to submit written justification for resorting to shopping in the procurement of such items; and**
- **Ensure that shopping will only be applied in cases enumerated in Section 52 of RA 9184 and its IRR.**

In reply to the audit finding, the Regional Director issued a Memorandum revising the APP for 2014 to include all supplies needed for the coming trainings and seminars for the entire year to eliminate shopping as the mode of procurement.

Non- submission of Purchase Orders

Copies of purchase orders and delivery documents of goods and services including supporting documents amounting to ₱516,850.00 were not submitted by the Community Facilitator of the SROs-CARP to the Office of the Auditor contrary to the provisions cited under COA Circular Nos. 2009-001 and 2009-002 dated February 12, 2009 and August 18, 2009, respectively.

25. COA Circular No. 2009-001 dated February 12, 2009 requires that copies of contract, purchase/letter orders, loan agreements and bond flotation/certificates of indebtedness, whether domestic or foreign, appraisal reports of property for disposal including all supporting documents and its annexes must be submitted to the Supervising Auditor/Audit Team Leader concerned for review, within five (5) days from their perfection.
26. Moreover, COA Circular No. 2009-002 dated August 18, 2009 also provides that the Office of the Auditor shall be furnished with copies of delivery documents within twenty-four (24) hours after acceptance of deliveries of goods and services, regardless of whether or not the transaction is subject to pre-audit.

Review of Disbursement Vouchers (DVs) for CY 2013 disclosed that copies purchase/letter orders issued to MAMANGA DAKU Agrarian Reform Coop. for accommodation, meals and snacks, as well as delivery documents of goods and services together with required supporting documents pertaining to the implementation of SROs-CARP amounting to at least ₱516,850.00 were not submitted to the Office of the Auditor.

These documents reached the Office of the Auditor only as part of supporting documents of DVs submitted. The details are shown below:

Purchase/Letter Order			Date Delivered
Date	No.	Amount	
3/6/2013	129	₱ 39,950.00	3/14/2013
3/8/2013	130	34,900.00	3/18-19/2013
5/16/2013	168	22,800.00	5/21-23/2013
5/26/2013	223	21,000.00	6/4-6/2013
5/30/2013	234	168,000.00	7/19-21, 2013
7/28/2013	238	25,000.00	7/30/2013
8/7/2013	290	22,200.00	8/8-10/2013
8/27/2013	297	32,000.00	8/31-9/2/2013
8/30/2014	298	9,000.00	9/14/2013
8/29/2013	299	28,000.00	9/15-18/2013
11/14/2013	401	114,000.00	12/11-14/2013
Total		₱516,850.00	

27. The non-submission of the said documents prevented the Audit Team from conducting review of the documents as to compliance with applicable rules and regulations and as to legality and completeness of the information contained in the contracts, and determining the existence, accuracy and completeness of the goods delivered.

28. **We recommend that Management instruct the Community Facilitator concerned to strictly adhere to the provisions of COA Circular Nos. 2009-001 and 2009-002 to enable the auditor concerned to conduct the review of purchase/letter orders and deliveries on time.**
29. Audit recommendation noted and the SRO Community Facilitator committed to submit the Purchase Orders on the time specified.

PPE and Supplies Inventory

The reported book balance of PPE and Supplies and Materials Inventory accounts as of December 31, 2013 differed from the balance per RPCPPE and RPCI as of the same period by ₱5,303,673.2 due to non-reconciliation of accounting and property records contrary to the provisions of the MNGAS Volume II, thus affecting the accuracy of PPE and Supplies and Materials Inventory account balances of ₱22,102,225.40 and ₱336,881.70, respectively, in the financial statements as of December 31, 2013.

210. Section 65 of the Manual on the New Government Accounting System (MNGAS) Volume II requires the Supply Officer to submit the Report on the Physical Count of Inventory (RPCI) which shall be used to report the physical count of supplies by type of inventory as of a given date. It shows the balance of the inventory items per stock cards and per count and the shortage/overage/if any. The report shall be prepared every six months and shall be submitted not later than July 31 of each year for the first and second semesters, respectively. The required form of RPCI is shown in Appendix 62, MNGAS Volume II.
211. The physical inventory of supplies shall be reconciled every six (6) months with the Stock Cards (SC) maintained in the Supply and Property section. The semestral physical inventory shall also be reconciled with the Supplies Ledger Cards (SLCs) and the controlling account at the accounting section and any discrepancy/ies shall be immediately be verified and adjusted.
212. Likewise, Section 62 of the MNGAS Volume II requires the Supply Officer to submit every end of the month the Report of Supplies and Materials Issued (RSMI). It shall be prepared by the Supply Section and shall be used by the Accounting Section in preparing the Journal Entry Voucher (JEV) to record the supplies and materials issued.
213. Further, the reconciliation of property and accounting records for PPE and maintenance of PPE records for control and monitoring purposes are required in the Manual on the New Government Accounting System (MNGAS) Volume II. The pertinent provisions are the following:
- *Section 12 – requires that the PPE Ledger Card (PPELC) shall be kept by the Accounting Unit for each class of assets to record promptly the acquisition, description, custody, estimated life, depreciation, disposal and other information about the assets. The physical inventory of the asset shall be reconciled with the PPELC and the control accounts.*
 - *Section 42 – 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 PCs every year and the discrepancies should be immediately verified and adjusted.

- *Section 66 – The Report on the Physical Count of Property, Plant and Equipment (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.*

214. Review of the Inventory Reports on Property, Plant and Equipment, as well as for Supplies and Materials as of December 31 2013 submitted by the Supply Officer and the balances in the financial statements and per ledger maintained by the Accountant disclosed discrepancies amounting to ₱4,966,791.56 on PPE accounts and ₱336,881.70 on Supplies and Materials Inventory accounts, as follows:

PPE/Inventory Account	Per General Ledger	Per Inventory Report	Difference
IT Equipment and Software	₱ 7,482,261.74	₱ 3,693,868.00	₱ 3,788,393.74
Office Equipment	3,206,901.33	1,970,637.95	1,236,263.38
Furniture and Fixtures	1,239,426.30	806,665.40	432,760.90
Library Books	40,436.34	0.00	40,436.34
Communication Equipment	58,759.65	47,759.65	11,000.00
Motor Vehicles	9,289,952.04	9,289,952.04	0.00
Machineries	784,488.00	748,488.00	36,000.00
Safety Instrument	0.00	578,062.80	(578,062.80)
Total	₱22,102,225.40	₱17,135,433.84	₱4,966,791.56
Office Supplies Inventory	336,881.70	0.00	336,881.70
Grand Total	₱22,439,107.10	₱17,135,433.84	₱5,303,673.26

215. Interview with the Supply Officer disclosed that one of the reasons for the discrepancy is the absence of proper turnover of documents by the former Supply Officer. Moreover, there is difficulty in locating the documents needed in the recording of PPEs, thus rendered the validity and reliability of the balances of the PPE and the Supplies Inventory accounts doubtful.

216. **We recommend that Management:**

- iii. Direct the Supply Officer to conduct physical count of inventories every six months and submit the report duly reconciled with the SC and SLC using the form prescribed in Appendix 62 of the manual on NGAS, Volume II;**
- iv. Direct the Chief accountant to regularly update all the SLCs, and to reconcile accounting records with those of the supply office to determine any discrepancy in the balances for appropriate action: and**

- v. **Instruct the Accountant and the Supply Officer to reconcile and/or adjust balances to come up with accurate balances of inventory accounts and PPE accounts.**

During the exit conference, the Regional Director instructed both the Accountant and the Supply Officer to record to reconcile with their records with a designated time frame.

Idle Office Equipment

Safety instruments and devices amounting to ₱578,062.80 acquired in the 1990s remained idle due to the failure of the agency to identify the priority equipment needed in violation of Section 2 of PD 1445.

- 217. Section 2 of PD 1445 provides that it is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy, and effectiveness in the operations of the government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.
- 218. Audit of Property, Plant and Equipment (PPE) and other assets of DOLE-RO X revealed that several safety instruments/devices valued at ₱578,062.80 were acquired during 1990s but remained unutilized and kept inside the RO's warehouse. Details of these equipment is shown below:

Description	Qty.	Amount
Hook OW Volt A meter	1	₱ 3,950.00
Earth Leakage Lester	1	29,000.00
Continuity Lester/Voltage Detector	1	1,950.00
Half Mash Respirator	5	3,750.00
Combustible gas indicator	1	23,745.00
Full Face Respirator (Self Cont.)	5	44,750.00
Breathing Apparatus	2	150,000.00
Psychometer	1	8,025.00
Digital Animometer	1	36,907.20
Oxygen Monitor	1	39,600.00
Carbon Monoxide Monitor	1	39,600.00
Hydrogen Sulfide Monitor	1	39,600.00
Portable Ultrasonic Thickness Tester	1	119,037.60
Calibration Pressure Gauges (3)	1	18,057.60
Tachometer	1	20,090.40
Total		₱578,062.80

219. Interview with the Accountant disclosed that the said instruments/devices were acquired during the 1990s to be used by the DOLE engineers in the conduct of inspection in big establishments/vessels. She added that it was the DOLE Central Office that identified the instruments/devices to be procured for the purpose. These instruments/devices had not been used and stayed idle for over 10 years now. Status of these instruments/devices as to its condition could not be determined considering the number of years of non- utilization and were just kept inside the storage/bodega.
220. In effect, some programs of management have been deprived for the use of these funds which could have been avoided had the agency identified the priority equipment needed.
221. **We recommend that Management:**
- **Determine the proper disposition of these unserviceable instruments/ devices to avoid further deterioration;**
 - **Transfer the instruments/devices without cost to other government agencies in need of such; and**
 - **Henceforth, identify priority equipment needed to avoid wastage of government funds.**

In reply to the Audit Observation Memorandum, the Supply Officer was directed to prepare the necessary documents needed for the proper disposal of these unserviceable instruments/devices.

Fidelity Bond

The fidelity bonds of ₱100,000.00 each to four (4) Field Disbursing Officers and ₱225,000.00 for one (1) Disbursing Officer of DOLE Field Offices to cover P100,001.00 to P500,000.00 maximum cash accountability is inadequate as compared to actual cash accountabilities in terms of collections and cash advances for SPES payments ranging from P479,644.00 to 1,380,116.00 in violation of Treasury Circular No. 02-2009, thus exposing government funds to unnecessary risks.

222. Under Treasury Circular No. 02-2009 dated August 6, 2009, every officer, agent and employee of the Government of the Philippines regardless of the status of their appointment shall, whenever the nature of the duties performed by such officer, agent or employee permits or requires the possession, custody or control of funds or properties for which he is accountable is deemed bondable and shall be bonded. The Fidelity Fund shall be available for the purpose of replacing defalcations, shortages, unrelieved losses in the accounts of bonded public officers, for the payment of fees and costs incident to civil proceedings brought against them to recover sums paid on their account from said Fund.
223. Specifically, Section 5.1 of the Circular provides the the determination of the amount of bond, quoted as follows:

“The amount of bond shall be based on the total accountability (cash, property and accountable forms) of the accountable public officer. Provided, the individual maximum accountability of each accountable officer shall not exceed One Hundred Million Pesos (₱100M).”

224. Review of disbursement vouchers revealed that as of September 2013, office orders as Special Collecting/Disbursing Officers (SC/DOs) were issued to five field collectors and cash advances were granted to them for the payment of SPES beneficiaries in amounts ranging from P479,644.00 to ₱1,380,116.00. The fidelity bond of each of the SC/DOs amounted to only ₱100,000.00 to ₱225,000.00 instead of ₱225,000.00 to ₱750,000.00, or deficient by ₱125,000.00 to ₱650,000.00 to cover their maximum accountabilities, as presented in the following table:

SC/DO	Station	Cash Advance			Bond		Deficiency
		Check No.	Date	Amount	Should Be	Actual	
Jennibeth Beloy	Western Misamis Oriental	1511682	09/18/13	₱ 675,730.56	₱ 350,250.00	₱225,000.00	₱ 125,250.00
Alice P. Tinhay	Eastern Misamis Oriental	1564512	10/22/13	479,644.00	225,000.00	100,000.00	₱125,000.00
Ma. Elna Seguero	Bukidnon	1564669	11/11//13	1,154,204.00	750,000.00	100,000.00	650,000.00
Ma. Lina Luza	Misamis Occidental	1564386	10/14/13	1,380,116.00	750,000.00	100,000.00	650,000.00
Iza Grace Cueto	Iligan City	1511360	09/04/13	1,281,061.27	750,000.00	100,000.00	650,000.00
Total				₱4,970,755.83	₱2,825,250.00	₱625,000.00	₱2,200,250.00

225. Interview with the concerned DOLE personnel disclosed that the fidelity bonds were not increased as it was only on the late of third quarter that the management decided to designate them to disburse the said SPES funds in order to facilitate releases of SPES payments to the beneficiary/students.
226. As the bonds of the SC/DOs were inadequate, the RO could not claim full recovery of funds in the event of defalcations, shortages, unrelieved losses in the accounts of bonded public officers.
227. **We recommend that Management increase the amount of bond of the SC/DOs to cover their respective maximum cash accountabilities. Henceforth, strictly observe the provisions of Treasury Circular No. 02-2009 in the bonding of SC/DOs.**

228.

The Regional Director instructed the Cashier to coordinate with the Bureau of Treasury relative to the application for fidelity bond increase to the concerned Accountable officers.

Non Issuance of Official Receipt

Collections from various donors under the LAKAW TA Program in the amount of ₱191,450.25 intended to be spent for the activities conducted by DOLE to commemorate the celebration of Labor Day were not issued official receipt or pre-numbered receipt in acknowledgement of the donations for the said program, contrary to the provisions of Section 68 of PD 1445.

229. On May 1, 2013, the RO launched the LAKAW TA Program to commemorate the celebration of Labor Day. Proceeds from the registration fees will be used to purchase school supplies to be distributed to various elementary and high school students on the same day as part of the Program.
230. Verification of records showed that registration fees collected amounted to ₱191,450.25. However, no official receipt was issued to acknowledge receipt of the fees from various donors contrary to Section 68 of PD 1445 which requires that all monies collected be acknowledged with the issuance of an official receipt. Only registration fees paid through check by both private and government offices and other were acknowledged by the issuance of acknowledge receipt which were not even pre-numbered. The registration fees collected by Field Office are shown in the following table:

Field Office	Amount
Eastern Misamis Oriental	₱ 4,550.00
Western Misamis Oriental	102,025.25
Camiguin Province	23,500.00
Lanao de Norte	61,375.00
Total	₱191,450.25

231. Query from the officials concerned revealed that no official receipt was issued for the collection made for the LAKAW TA Program to avoid delay as the proceeds will be immediately used to purchase school supplies intended for distribution to the targeted beneficiaries/recipients as part of the Labor Day Program
232. In the absence of official receipt supporting the registration fees received, collections and disbursements for the said event could not be properly accounted for and recorded in the books of accounts of the RO.
233. **We recommend that Management require the Regional Accountant to make proper accounting of the collections and disbursements of the LAKAW TA funds. Henceforth, require concerned accountable officer to issue official receipt or pre-numbered acknowledgment receipt to acknowledge receipt of funds from the donors pursuant to Section 68 of PD 1445.**
234. The Audit recommendation was noted by management and was brought up during the Management Committee Meeting for dissemination and compliance.

SPES

Payment of 40 percent salary for SPES student-beneficiaries of various field offices amounting to ₱18,039,876.39 in CY 2013 were made thru cash cards, checks and cash advance 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.

235. 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.

236. 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)

237. Review of disbursements under the program during CY 2013 revealed, however, that the prescribed payment through educational voucher was not followed. Payments amounting to ₱19,926,727.42 by the RO for the 40 percent salary of student-beneficiaries were made thru cash card, check and cash advanced directly to the student-beneficiaries instead of the prescribed education voucher. Payment thru cash advance was adopted during the last quarter of CY 2003 to facilitate payment and to avoid incurrence of stale checks.
238. Of the total disbursements of ₱15,203,876.39 under the SPES in CY 2013, ₱7,500,000.00 was funded from Disbursement Acceleration Program (DAP) of Congressman Roberto Ocampos and Senator Franklin Drilon while others were received thru NTA from DOLE-Central Office.
239. Inquiry from the Accounting disclosed that the above-mentioned mode of payments was adopted based on the Unnumbered Memorandum issued by the Undersecretary of the Department of Labor dated February 11, 2008 authorizing the DOLE Regional Offices to use these specified scheme of payment for the 40 percent salary for SPES students/beneficiaries
240. 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. Thus, the existing modes of payment may result in the risk of loss or misuse of funds in the custody of the SPES student beneficiaries.
241. **We recommend 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.**
- 242.

In reply to the AOM, management reasoned out that the deviation made on the payment scheme were in accordance with a directive form DOLE Central Office to facilitate payment to the student-grantees of SPES through the most efficient and appropriate scheme.

Delayed payment of SPES Salaries

SPES beneficiaries were not fully paid within the period prescribed in the IRR of RA 9547 as payments to students in CY 2013 for the 40 percent share of DOLE were delayed by 35-160 days or not paid at all as manifested by stale and unreleased checks amounting to ₱219,461.22, 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.

243. 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.
244. 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, amount 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. For Christmas implementation, the number of days shall neither be less than ten working days nor more than 15 working days. • 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>

Reference	Selected Provisions
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 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><i>Role of PESO</i></p> <p>The PESO shall serve as the frontline implementer of the SPES. Specifically, it shall, among others:</p> <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.

245. Based on the foregoing provisions, the DOLE Regional/Field Office 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 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

246. For CY 2013, allotments from the regular appropriation received by the RO during the year for the implementation of SPES amounted to ₱19,926,727.42. In addition, in March 14, 2013, RO X

received allotment of ₱5,000,000.00 for SPES under the Disbursement Acceleration Program (DAP) of which ₱4,668,000.00 was disbursed during the year, leaving a balance of ₱264,000.00 as of December 31, 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-B-13-0001880	1/4/2013	11,497	₱12,176,727.42	₱10,265,688.96	₱10,535,876.39	₱1,911,038.46
Sub-Total		11,497	19,926,727.42	18,015,688.96	10,535,876.39	1,911,038.46
DAP						

247. The Audit Team reviewed the vouchers and supporting documents for the payment by the DOLE-RO X of the 40 percent share of salaries or wages of student beneficiaries for checks prepared in September to November 2013 to determine whether payments were made on a timely manner. Results of evaluation disclosed that for checks released to 1,546 students amounting to ₱5,567,830.56 with date of receipt, payments to students were delayed by 35 to 160 days, as presented below:

Check Date (CY 2013)	Total Claimed Checks (With Date of Receipt)		Period of Employment	Delay (No. of Days)
	No. of Checks (Students)	Amount		
General Fund				
September	180	₱372,664.00	April 15-May 28, 2013 March 25-April 24, 2013 April 15-May 10, 2013 May 2-May 30, 2013 April 15-May 10, 2013 June 10-July 15, 2013	35-92
November	1,209	3,902,590.56	April 1-29, 2013 April 8-May 3, 2013 May 2-31, 2013 April 22-June 4, 2013 April 10-May 8, 2013 April 3-30, 2013 April 29-May 24, 2013 April 1-May 15, 2013 April 15-May 15, 2013 April 1-29, 2013 May 2-29, 2013	64-160
October	67	932,576.00	April 22-May 31, 2013 April 25-May 15, 2013 April 15-May 14, 2013 April 12-May 10, 2013 April 15-May 9, 2013 April 1-April 29, 2013	91-115
Sub-Total	1,456	5,207,830.56		
DAP Funds				
September	2	8,000.00	April 24-May 24, 2013	92

	5	20,000.00	May 10-June 7, 2013	64
October	23	92,000.00	April 25-May 15, 2013	103
	60	240,000.00	April 25-May 15, 2013	103
Sub-Total	90	₱360,000.00		
Grand Total	1,546	₱5,567,830.56		35-160

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

- Undermanned personnel to process huge volume of SPES transactions
- Claims were not processed if supporting documents were incomplete,;
- 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 X.
- Claimants could no longer be located due to change of addresses.

249. It was also noted that as of December 31, 2013, various checks amounting to ₱219,461.22 remained unclaimed and became stale while unclaimed checks which were not yet stale amounted to ₱252,198.00. These checks were SPES payments made from the General Fund and do not include payments from DAP funds. Details are shown below:

Check Date	Stale	
	No. of Checks (Students)	Amount
September 28, 2012	11	P17,200.00
September 17, 2012	18	33,268.00
September 28-Oct. 31, 2012	15	26,064.00
November 22-29, 2012	12	23,712.72
November 29, 2012	12	16,219.50
Total	109	₱219,461.22

250. The Regional Cashier disclosed that these unclaimed checks were already in the custody of the Provincial Field Offices for distribution to the claimants in their respective areas.

251. 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.

252. This has been the subject of Audit Observation Memorandum for CY 2012, but reiterated in this report due to the materiality of the amount involved and the non-implementation of the audit recommendations.

253. We reiterate our previous recommendations that Management–

- **Ensure that student beneficiaries are paid their 40 percent salaries within 11 days prescribed period. Require the employers, PESO and DOLE-RO X 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.

- **Required the TSSD and DOLE-RO X 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 requirement are being completed in order not to deprive the complying students the timely payment of their 40 percent salaries.**
- **Instruct the Provincial Offices to exert more effort to locate the missing student/beneficiaries.**

43.

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In compliance with the AOM, on March 3, 2014, the management implemented the Revised Procedure for Processing of SPES 40% Payment to facilitate payment of the same.

DILP Projects

Of the 22 validated livelihood projects amounting to ₱207,870.00, eight projects worth ₱71,320.00 were not implemented or beneficiaries were not included in the Project Proposal due to failure of the concerned officials to adequately monitor the implementation of the projects thus, depriving the beneficiaries of the benefits that could have been derived from the projects.

254. The DILP was created to assist community groups in developing sustainable enterprises or undertakings right in their communities thereby providing opportunities for generating incomes through wage and self-employment. Specifically, it aims to: (a) enhance and transform existing livelihood projects in the barangays into community enterprises and / or set up community enterprises to be managed by community groups; and (b) put in operation a convergence scheme of related programs and services of government agencies and private organizations that will effectively assist and provide complete support to the community enterprise.
255. For CY 2013, funds released by RO X to various ACPs/beneficiaries for the implementation of various livelihood projects under the DILP amounted to ₱10,557,736.55. Results of the random ocular inspection and validation conducted by the Audit Team on March 12-14, 2014 in Cabanglasan, Bukidnon to determine the existence and extent of implementation of selected projects in different areas with funds released amounting to ₱207,870.00 under Check No. 1508830 dated March 18,

2013 payable to LGU- Cabanglasan intended for the implementation of various livelihood projects such as sari sari store, hog fattening, fish peddling, cow raising and manicure/pedicure for the Cabanglasan Special Program of the Employment of Student Parent Association (CSPESPA) with 22 beneficiaries. The funds were released to the beneficiaries through payroll based on the amount for each individual project as indicated in the Project Proposal.

256. Results of the ocular inspection and validation showed that while 14 projects were implemented, not validated as the beneficiaries were not around during the validation or implemented but changed to other projects, three projects amounting to ₱17,260.00 were not implemented, while in four projects worth ₱54,060.00, the beneficiaries were not among those in the list of beneficiaries per Project Proposal, as shown in the following table:

Project	Beneficiary	Amount Per Payroll	Deficiencies/Remarks
<i>Projects Not Implemented</i>			
1. Dried Fish	Florencia Barrientos	₱ 7,800.00	Not implemented; funds received could not be accounted for
2. Hog Raising	Paulina Fernandez	3,950.00	Not implemented; funds received could not be accounted for
3. Manicure/ Pedicure	Gemma Vete	5,510.00	Not implemented; furniture provided could not be accounted for
Sub-Total		17,260.00	
<i>Beneficiaries Not Included in the List of Beneficiaries per Project Proposal</i>			
4. Cow Raising	Rosemarie Amper	14,500.00	Implemented but not among the list of beneficiaries per Project Proposal
5. Hog Raising	Avelina Pabellan	10,500.00	Not among the list of beneficiaries per Project Proposal
6. Manicure/ Pedicure	Liezel Pocot	4,060.00	Not validated; not among the list of beneficiaries per Project Proposal
7. Hog Raising	Melita Villahermosa	10,500.00	Not among the list of beneficiaries per Project Proposal
8. Cow Raising	Jonathan Villanueva	14,500.00	Diverted to hog raising; Not among the list of beneficiaries per Project Proposal
Sub-Total		54,060.00	
Total		₱71,320.00	

257. Interview with one of the beneficiaries of the CSPESPA for various livelihood projects disclosed that the financial assistance was given in cash. Since the family was financially hard up during the time, the money received for the project was unintentionally used for personal expenses.
258. Apparently, the implementations of the livelihood projects were not adequately monitored. Thus, the beneficiaries were deprived of the benefits that could have been derived from the projects had these been fully implemented.
259. **We recommend that Management:**
- a) **Require concerned officers to immediately act on the defects/deficiencies noted during the validation for the full implementation and sustainability of the projects in order not to deprive the beneficiaries of the benefits to be derived from the projects; and**

b) Henceforth, closely monitor the implementation of funded livelihood projects.

The Provincial Head of Bukidnon was instructed to monitor the implementation of those unimplemented projects as well as rectify the deficiencies noted therein.

Due from LGUs/NGOs/POs

Fund transfers to LGUs and NGOs/POs amounting to ₱11,369,145.26 and ₱9,601,469.62, respectively, or a total of ₱20,970,614.88 for the implementation of livelihood projects remained unliquidated for 91 days to over two 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, 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/POs of ₱21,716,063.38 as of the same period.

260. The DOLE-RO X 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.
261. DOLE Memorandum dated June 16, 2010, the Enhanced Procedures Manual on the provision of Livelihood Project Grants states that the project should be implemented within one to three months from the date of release of grants and Fund Utilization report should also be submitted.
262. 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.
263. 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.
264. In line with the DOLE Integrated Livelihood Program which was intended to assist workers in the informal sector in making their livelihood undertakings grow into profitable and sustainable business, DOLE-RO X entered into a Memorandum of Agreement (MOA) represented by the Regional Director referred to as the DOLE with some qualified Local Government Units (LGUs) and NGOs/POs referred to as the proponents. The MOA provides, among others, that:

“The DOLE as the Source Agency (SA) provided fund assistance to qualified proponents/Implementing Agencies (IA) in the form of grant as capital assistance to qualified and deserving LGUs/federations/organizations /workers association or individuals.

The proponent/implementing agency shall implement the livelihood project which shall be for a period of three (3) months from date of actual release of funds.”

265. As of December 31, 2013, the balances of the two accounts amounted to ₱21,716,063.80 or an increase of ₱6,337,448.31 compared to last year’s balance ₱15,378,615.49 as presented below:

Account	Balances		Increase/ (Decrease)
	CY 2013	CY 2012	
Due from LGUs	₱ 9,791,118.54	₱ 4,427,278.95	₱5,363,839.59
Due from NGOs/POs	11,924,945.26	10,951,336.54	973,608.72
Total	₱21,716,063.80	₱15,378,615.49	₱6,337,448.31

266. Analysis showed that of the total unliquidated balance of ₱21,716,063.80 as of December 31, 2013 for the Due from LGUs and Due from NGOs/POs account, ₱20,970,614.88 or 96.57 percent remained outstanding for 91 days to over two years, as shown in the table below:

Balance as of 12/31/13 (a)	Aging					Total (g= c+d+e+f)	% (h=g/a)
	Below 90 days (b)	91 days to 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>							
₱11,924,945.26	₱555,800.00	₱10,733,818.68	₱ 0.00	₱ 635,326.58	₱ 0.00	₱ 11,369,145.26	95.34
<i>Due from NGOs/POs</i>							
9,791,118.54	189,648.92	9,601,469.62	0.00	0.00	0.00	9,601,469.62	98.06
₱21,716,063.80	₱745,448.92	₱20,335,288.30	₱ 0.00	₱ 635,326.58	₱ 0.00	₱20,970,614.88	96.57

267. It was observed the lack of sustained efforts to enforce settlement from the LGUs and NGOs/POs for funds released to them. Based on interviews conducted with the beneficiaries during the validation of livelihood releases, many of the NGOs/POs no longer exists, cannot be located or simply do not have the capacity to pay, some members of the organizations were no longer in their respective addresses, which facts came to light only after the lapse of so many years. One of the responsibilities of provincial officers is to regularly monitor the implementation of funded projects. Had this been done, problems/concerns of these projects could have been known and resolved earlier. The delayed detection of problems/concerns due to absence of close monitoring resulted in the failure to stop subsequent fund releases to defaulting borrowers and to apply the prescribed sanctions such as the filing of legal actions.

268. 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.
269. This issue had been raised in the audit reports of previous years and reiterated in CY 2013 audit as the recommendations remained unimplemented.
270. **We recommend that Management require the concerned LGUs and NGOs/POs to immediately submit liquidation reports for funds received and direct the program implementers/facilitators to exert utmost efforts to monitor the implementation of the projects and assist the beneficiaries in the preparation and consolidation of their terminal/liquidation reports to ensure correctness of liquidation reports and immediate/prompt submission of liquidation reports. Factors that cause the delay in the submission of the reports/documents should be accordingly identified so that remedial measures can be instituted. Henceforth, strictly enforce compliance by the LGUs and NGOs/POs with the prescribed period of submission of liquidation reports.**

Management replied as we quote” Management is already enforcing strict compliance on the LGUs/POs with a prescribed time frame. Moreover, Task Force MEIL was created to monitor, evaluate, investigate and liquidate programs and projects of the regional Office and address speedy compliance relative to the implementation of the programs and projects.”

GENDER AND DEVELOPMENT (GAD)

GAD programs and activities					
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were implemented during CY 2013 amounting to P5,348,665.55 representing 4.89 %, of the RO’s total budget of P109,286,246.47.

Program/Activity/Project (Pap) (*1*)	Gender Issue (*2*)	Gad Activity (*3*)	Results (*4*)	Cost (*5*)	Remarks (*6*)
1. Gender mainstreaming A. Organization – Focused General Administration and support to human Resource Development	. Insufficient training & capacity building & gender mainstreaming . A need to continuously strengthen camaraderie among women in org.	Four (4) trainings were conducted	.35 women staff of DOLE 10 joined the lecture/training technical writing, photography, workshop enhancement and QMS seminars	284,210.55	Male staff also included

B. Client-Focused 1. Women workers Emp. And Entrepreneurship Dev. (WEED)	. Women workers are still experiencing poverty and their capacity to augment and uplift their economic standing is insufficient due to lack of training.	. 13 trainings /lectures conducted to 13 women organization given with livelihood assistance.	. 874 Women benefitted of which 154 are coming from sugar workers/planters of Bukidnon.	3,001,455.00	Sustainable Livelihood assisted families of women workers.
2. Provision of Livelihood assistance to parents of Child Laborer	. None	. Livelihood Assistance for women Released	. 55 women parent benefitted WMO Provincial Office	271,000.00	Parents of CL are given livelihood so they can provide for their children.
3. Sugar Workers Maternity Benefit Program (SAP)	No social protection/assistance to workers in the sugar industry	Provision of Maternity benefits to women's sugar workers.	. 396 women @2,000/ beneficiary	792,000.00	Mainstreaming the differently abled to normal life.
4. Tulong-Alalay para sa mga taong may kapansanan (Tulay)	. Need to provide capacity building and Livelihood assistance to PWDs	. 1 trainings/ lectures for the PWD organization & released livelihood assistance to 1 organization	. 80 Differently abled Persons were benefitted	400,000.00	Mainstreaming the different abled to normal life.
5. Working Youth Centers (WYC) & Home-based workers	. Need to acquire additional skills as an alternative to wage employment especially for female youth.	. 1 youth groups given training and livelihood assistance.	. 30 youth	100,000.00	Male Youth are also included.
6. Indigenous people (Ips)	Identification of indigenous People	. 1 Capability Building and projects implemented	. 40 benefitted	500,000.00	

COMPLIANCE WITH TAX LAWS

271. The RO's Accountant had religiously complied with the withholding of taxes from compensations, contracts, and purchases and has regularly remitted the amount due to the Bureau of Internal Revenue (BIR). For CY 2013, the RO remitted a total of P5,943,007.64 in taxes to the BIR (Annex I).

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

In compliance with RA 8291, for Calendar Year 2013, DOLE X has deducted and remitted the amount of P5,724,352.19 for GSIS Premiums enumerated as follows:

Period Covered	Deduction	Remittance
January	392,899.84	392,899.84
		476.23
		298.66
<i>Sub-total</i>		
February	407,776.29	406,930.66
		51.48
		19.26
<i>Sub-total</i>		
March	409,994.29	409,994.29
		3,936.08
<i>Sub-total</i>		
April	461,967.54	461,967.54
May	529,582.14	526,076.01
		3616.88
<i>Sub-total</i>		
June	480,762.41	480,651.66
July	506,847.29	504,484.90
August	500,526.39	503,616.68
September	501,531.03	506,063.22
October	3,676.11	495,383.36
November	495,383.36	511,881.78
December	1,033,405.50	516,003.66
<i>Sub-total</i>		

Total	<u>5,724,352.19</u>	<u>5,724,352.19</u>
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SETTLEMENT OF SUSPENSIONS, DISALLOWANCES AND CHARGES

272. As of December 31, 2013, unsettled disallowances amounted to P658, 182.97.of which P34,666.45 was settled leaving a balance ofP623,516.52. No suspension and disallowanceswas issued for the Calendar Year.Unsettled disallowances at year-end, is presented below:

Particulars	Balance, 12/31/12	CY 2013 Issuances	Settlements	Balance, 12/31/13
Suspension	P 0.00	P0.00	P0.00	P 0.00
Disallowances	658,182.97	0.00	34,666.45	623,516.52
Charges	0.00	0.00	0.00	0.00
Total	P658,182.97	P0.00	P34,666.45	P623,516.52

C. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

273. We made a follow-up on the actions taken by the Management of DOLE-RO X to implement the eleven recommendations of prior years and noted the following:

Status of Implementation	No. of Recommendations
Fully Implemented	1
Partially Implemented	8
Not Implemented	2
Total	11

274. The results of validation on the implementation of prior year's audit recommendations are presented in Annex M.

D. ACKNOWLEDGEMENT

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

105. 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