



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. X
Cagayan de Oro City

OFFICE OF THE TEAM LEADER

Audit Group NGS - Cluster 5
Audit Team No. RO-10-21-1

March 20, 2017

MR. 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 No. X
For the Calendar Year 2016**

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 No. X (DOLE-RO) for the period ended December 31, 2016. The audit was conducted in accordance with applicable legal and regulatory requirements, and generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted to (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations.
3. A financial and compliance audit was conducted on the accounts and transactions of the Department of Labor and Employment, Regional Office No. X, Cagayan de Oro City for the period January 1, 2016 to December 31, 2016 specifically on the following audit thrust: (a) Cash; (b) Cash Advances; (c) Advances to the Department of Budget and Management-Procurement Service (DBM-PS); (d) Receivables; (e) Inventories; (f) Prepayments; (g) Investments; (h) Property, Plant and Equipment; (i) Other Payables and (j) Revenue.

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 concerned DOLE-RO X officials and employees in an exit conference conducted on March 16, 2017. 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 2016.

5. The audit was conducted with the use of applicable rules, regulations and policies as the criteria and standards; the examination, on the test-basis, of the evidences supporting the amounts and disclosures in the financial statements; the assessments of the accounting principles used and the review of the significant estimates made by management; and the evaluation of the over-all financial statement presentation.

I. Detailed Observations and Recommendations

Financial and Compliance Audit

Unliquidated Fund Transfers

6. Fund transfers to LGUs and NGOs/POs amounting to P137,725,606.46 and P19,555,422.02, respectively, for the implementation of livelihood projects remained unliquidated for six (6) months to over three years as of December 31, 2016, due to inadequate monitoring of the projects 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, casting doubt on the validity of reported balances of such receivables and actual project expenses not reported in the year these were incurred.

7. 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 (AI) shall submit to the Source Agency (SA) the Reports of Check 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 signed by the Head of IA.

8. Section VII (A) of DOLE No. 36-02 dated December 12, 2002, also required that “within 60 days after the completion, the proponent shall submit to the DOLE implementing agency complete liquidation reports, together with financial statements, and certificate of project completion and acceptance of project by the beneficiaries of the funding agencies.”

9. The DOLE had been allocating funds to its Accredited Co-Partners (ACP) for the implementation of various livelihood projects through the LGUs and NGOs/POs, among others, under the DOLE Integrated Livelihood Program (DILP). Fund transfers are

subject to liquidation and reporting of disbursements and recorded as Due from LGUs (Account 1 03 03 030) and Due from NGOs/POs (Account 1 03 05 030), where appropriate.

10. It was noted that a very significant amount of P137,725,606.46 or 37.76 percent remained outstanding for six (6) months to over three years for the Due to LGU account while P19,555,422.02 or 74.82 percent remained outstanding for a year to over fifteen years for Due to NGOs/POs account, the summary of which is presented below:

Balance as of 12/31/16	Aging					Total Unliquidated balances 6 months to over 3 years	%
	Below 6 months	6 months to 1 year	1 year to less than 2 years	2 years to less than 3 years	3 years and over		
Due from LGUs							
364,732,458.34	227,006,851.88	73,611,544.78	46,028,759.15	17,597,888.98	487,413.55	137,725,606.46	37.76
Due from NGOs/POs							
26,136,218.52	6,580,796.50		1,104,271.55	11,434,263.62	7,016,886.85	19,555,422.02	74.82
390,868,676.86	233,587,648.38	73,611,544.78	47,133,030.70	29,032,152.60	7,504,300.40	157,291,028.48	40.24

11. As it was gleaned, the failure of management to enforce liquidation of current and prior years fund releases within the prescribed period based on Memorandum of Agreement and existing regulations resulted in the low liquidation rates during the year and the difficulty of ascertaining the proper utilization of funds and the validity of the reported balances of the receivable accounts.

12. The provincial field officers commented that some liquidation of implemented projects was already submitted to the Accounting Unit however, such liquidations were not yet booked-up/taken-up by the Accountant.

13. We recommended that the management:

- a. **direct the program implementers/facilitators to exert utmost efforts to monitor the implementations 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;**
- b. **prepare an inspection/monitoring schedule covering current and prior years' projects and formulate alternative measures to effect immediate submission of the liquidation reports of Proponents to determine if funds released were properly utilized in accordance with the provisions of the MOA;**

- c. **strictly adhere to the provisions of COA Circular Nos. 94-013 and 2007-001 on the liquidation of funds released to LGUs/NGOs/POs and enforce the terms and conditions provided for in the MOA particularly on the obligation of the Proponent to immediately refund any unutilized funds and for the DOLE X to institute appropriate actions against Proponents violating the same; and**
- d. **conduct regular inspection of the recipient NGOs/POs and constantly update their addresses and contact numbers to facilitate monitoring of their whereabouts and the utilization of funds transferred to them.**

Property, Plant and Equipment

14. Other Machinery and Equipment in the amount of P784,488.00 was issued to a training school of which the Accountable Officer is not a personnel of DOLE X, thus, exposing the equipment to mismanagement, misuse and possible loss.

15. Section 42 of the Government Accounting Manual (GAM): Accounting and Property Records to be maintained for PPE, provides that the Chief Accountant shall maintain the PPELC for each category of PPE including work and other animals, livestock etc. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain PC for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.

16. Further, Sec. 21 of the GAM: Issue of PPE, provides that based on approved RIS, the Supply and/or Property Custodian shall prepare the Property Acknowledgement Receipt (PAR) to support the issue of property to end-user. The PAR shall be renewed at least every three years or every time there is a change in accountability or custodianship of the property.

17. A welding machine in the amount of P784,488.00 as reported in the Report of PPE Inventory, was issued to Engr. Joel D. Maramara, a Training Administrator of Metal Working Industrial Association of the Philippines (MIAP), Cagayan de Oro City. Based on the PPE Inventory Report, data on the date of acquisition, date of turn-over and description and specifications of the machine, were absent.

18. The Accountable Officer, who is not an employee of the DOLE, was not issued a Property Acknowledgement Receipt to establish his accountability.

19. Engr. Maramara had allegedly turned-over the welding machine sometime in 2012 to Mr. Raymund Paras of Paras Machinery, Cagayan de Oro City without informing the Department of Labor and Employment in violation to Sec. 77 of PD 1445.

1. ICT Equipment in the amount of P1,352,510.00 for the Skills Registry System (SRS) Program were issued to the different Public Employment Services Office (PESO) located in the different local government units in Region X were not included in the physical count and Property Cards were not kept by the Supply and Property Unit, thus exposing the equipment to possible misuse and loss.

20. NSR system is built keeping in view the spread of Professionals and need for the user companies to access it from multiple locations. The users, whether professionals or companies, are proficient in computer operations with self-learning capability, security conscious and may need to access the system anytime from anywhere.

21. The SRS Project was initiated to establish a web-based National Skills Registry System in the Philippines. This project aims to create a readily available (IT-based) database that shall aid in addressing the country's growing problem on talents mismatch. This will be achieved through the creation of a system that shall capture the pool of available talents at the community level.

22. Desktops, Printers and External Hard drives in the total amount of P1,352,510.00, as of December 31, 2015, were issued to 41 local governments in Region X through the PESO Managers. The equipment were not subjected to inspection by the audit team before the units were distributed to the respective LGUs. Property Acknowledgement Receipt were not issued by the agency and acknowledged by the presumed Accountable Officers. Property Cards (PC) as well as Property, Plant and Equipment Ledger Cards (PPELC) on the IT Equipment were not maintained by the Supply/Property Unit and Accounting Unit respectively.

23. Physical count of Property, Plant and Equipment, had been conducted for the fiscal years 2015 and 2016. However, not all the PPE as recorded in the Report of PPE Inventory, the welding machine granted to the MIAP and the IT Equipment issued to the PESO Managers, were physically counted by the Supply Officer due to time constraint and other responsibilities of his Office.

24. The failure of the Supply Officer to: (1) include the PPE (Other Machinery and Equipment and IT Equipment-SRS) in the physical inventory count; (2) maintain Property Card for each class of PPE; (3) establish the accountability of Engr. Maramara and the PESO Managers through the issuance of the Property Acknowledgement Receipt (PAR); and (4) report the whereabouts, condition and other relevant information of the PPE, subjects the same to possible loss, misuse and personal use of whoever is in possession.

25. The failure of the OIC-Regional Accountant to maintain the PPELC casts doubts on the accuracy and reliability of the amount of Depreciation Expense on the subject PPE.

26. Lately, the audit team, sent confirmation letters to accountable officers who are not DOLE X personnel but granted equipment in line with its programs, to check the existence and the where about of the assets of the government. To date, Engr. Maramara, who is now connected with Mindanao University of Science and Technology (MUST), had yet to answer us in writing. There are only twelve (12) PESO Managers who confirmed to our verification, of which one (1), cannot identify the IT equipment received by the municipality due to the absence of a proper turn-over.

27. The Acting Supply Officer commented that the equipment will be pulled out within a month from Paras Machinery and to be transferred to TESDA or MUST for instructional purposes. With regards to SRS, the inventory taking was already conducted and advised to transfer without cost to local government units concerned.

28. It is recommended that:

- 1. The Supply Officer observes prudence and ensures property responsibility, accountability and liability through: a). maintenance of the duly filled-up PC for each class of PPE; b). prompt issuance of PAR to designated Accountable Officer; c). conduct of a comprehensive physical inventory;**
- 2. The OIC-Regional Accountant should: a). keep a properly filled up and updated PPELC for each class of PPE; b). ensures reconciliation with the PC and PAR; c). recheck computations for depreciation and impairment of the Other Machinery and Equipment - Welding Machine and IT Equipment-SRS;**
- 3. The agency revisits its policies and procedures on its control system to ensure that agency property, plant and equipment entrusted to its accountable officers' care is maintained, reported and safeguarded to the best of their ability.**

Submission of Financial Reports

29. The DOLE-X management failed to submit financial reports and statements causing the unnecessary delay for COA to perform its mandated duties and functions as required by law as well as adversely affected the timely evaluation and determination of the regularity, validity, completeness and accuracy of recorded transactions contrary to the existing laws and COA rules and regulations.

30. Section 122 of Presidential Decree No. 1445 requires that:

- (1) Whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative or personnel officers, and other responsible officials of the various agencies to submit trial balances, physical inventory*

reports, current plantilla of personnel, and such other reports as may be necessary for the exercise of its functions.

- (2) *Failure on the part of officials concerned to submit the documents and reports mentioned herein shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements of the Commission.*

31. Likewise, Section 7.1 and 7.2 of the Revised Rules and Regulations on the Settlement of Accounts (RRSA), as prescribed under COA Circular No. 2009-006 dated September 15, 2009, provide the responsibilities of the agency head and accountant for audit and settlement of accounts, pertinent portions of which are quoted as follows:

“Section 7.1 Responsibility of the Agency Head

*7.1.1 The head of the agency, who is primarily responsible for all government funds and property pertaining to his agency, shall ensure that: (a) the required financial and other reports and statements are submitted by the concerned agency officials in such form and within the period prescribed by the Commission; (b) *the settlement and disallowances and charges is made within the prescribed period;* (c) *the requirements of transactions suspended in audit are complied with;* and (d) *appropriate actions are taken on the deficiencies noted as contained in the NSs, NDs, NCs and AOM.**

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Section 7.2 Responsibility of the Agency Accountant

7.2.1 The Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure that:

- a) 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 month;
- b) the financial records are made accessible at reasonable hours to the Auditor or his authorized representatives when needed.

32. Records showed that as of January 31, 2017, the status of submission by the DOLE-X of financial reports and other documents as required by the existing law, rules and regulations were either not submitted or rendition thereof was delayed, as presented as follows:

Financial Reports/ Documents	Submitted Reports/Documents	No. of Days Delayed	Unsubmitted Reports/ Documents	No. of Days Delayed
A. Financial Statements				
1. Trial Balance	January-June 2016	90-137	July-Dec. 2016	65-129
2. Quarterly Statement of: (a) Financial Position (SFPo) (b) Performance (SFPe) (c) Cash Flows (SCF)	March, June 2016	89-180	Sept, Dec. 2016	65-156
B. Journal Entry Vouchers (JEVs) for:				
1. Disbursements-including RCI and DVs • MDS/General Fund (GF) ▪ Check Disbursements ▪ Trust Fund	Jan.-June 2016	240-375	July-Dec. 2016	65-205
2. Collections – including Report of Collection and Official Receipts ▪ GF ▪ Trust Fund			Oct.-Dec. 2016	65-126
3. Liquidation Reports ▪ General Fund			Jan.-Dec. 2016	30-395
C. Bank Reconciliation Statements				
▪ General Fund	Jan. – May 2016	21-192	June-Dec. 2016	65-247

33. The team verbally requested Management to submit the above reports/documents to avoid similar findings in CY 2015. However, the management still failed to submit the required reports/documents to date.

34. The delayed/non-submission of financial reports and documents affected the scope of our audit and precluded the timely examination, verification and analysis of the financial accounts and reports. Thus, the validity, correctness and compliance with laws, rules and regulations of substantial transactions for the year were not determined and the preparation of report/information to the management of any deficiency that might have been noted therein in the course of audit will likewise be affected.

35. On the other hand, non-submission of the paid vouchers to date rendered difficult ascertaining whether or not: (a) the expenditures were incurred in accordance with laws, rules and regulations; (b) the amounts paid were those approved by the agency head; and (c) the payments were correctly and completely recorded in the books of accounts.

36. The management commented that the late submission particularly the Disbursement Vouchers was due to incomplete submission from the Provincial Field Offices, of supporting documents particularly the Official Receipts to acknowledge the payment received by the suppliers.

37. We recommended that the management require the Accountant and other responsible officials of the Regional Office to:

- a. strictly comply with the prescribed monthly, quarterly and year-end submission of financial reports and documents to the Office of the Auditor to facilitate the complete review and audit of accounts and to affirm the reliability of the management's assertion on the existence/occurrence, validity, accuracy and completeness of the recorded transactions, otherwise, enforce the provisions of Section 122 (2) of PD 1445.**
- b. take appropriate action against officials and employees responsible for such deficiencies pursuant to the provisions of Section 122 of PD 1445.**

Value for Money Audit

Bottom-Up Budgeting Process

38. The total amount of P14,305,000.00, representing livelihood releases was transferred to various barangays of the different cities and municipalities in Region X, not in conformity with the provisions of the Policy Guidelines and Procedures in the Implementation of the Bottom-Up Budgeting Projects for FY 2015, resulting to inadequacy of the legal basis of the fund transfers.

39. Sec. 4.1.2 of DBM-DILG-DSWD-NAPC Joint Memorandum Circular No. 6 dated February 27, 2015- provides that Fund releases from implementing agencies to LGUs will only be allowed if the beneficiary LGU has complied with the following governance conditions, in accordance with the pertinent special and general provisions in the GAA:

- *Compliance with the Good Financial Housekeeping component of the Seal of Good Local Governance FY 2014 Assessment, and*
- *Submission of the PFM Improvement Plan (for 2015 focus LGUs under the LGU PFM 2 Project) of initiation of its implementation (for 2013 and 2014 focus LGUs under the LGU PFM 2 Project), as determined by the DBM Regional Office.*

40. Further, Sec. 4.5.8 of the same Joint Memorandum Circular provides that BUB projects, except those mentioned in Item 4.5.7 hereof, may be implemented by LGUs provided they meet the following eligibility standards, subject to the government procurement law, and budgeting, accounting and auditing rules and regulations:

- *Technical capabilities (i.e.to implement the project) as determined by the participating agency concerned; and*

- *Issuance of single Sanggunian Resolution authorizing the LCE to enter into a MOA with all BUB participating agencies for their BUB projects.*

41. *Section 4.6.1 provides that Municipalities must provide a cash counterpart for the BuB program equal to a percentage (Section 4.6.2 – 20% of the LGU IRA) of the FY 2014 Local Development Fund. This must be sourced from LGU funds, but not necessarily from the Local Development Fund (LDF).*

42. Verification of documents as shown in **Annex A** for the period June September 2015 disclosed that funds for livelihood projects under the BuB amounting to P14,305,000.00 were released to various barangays without conforming to the requirements provided for under the above-mentioned circular as well as the Memorandum of Agreement executed between the DOLE and the barangay as the accredited co-partner (ACP).

43. The said Memorandum of Agreement requires the ACP to provide a counterpart equivalent to at least 20% of the total project cost.

44. Furthermore, livelihood releases under the BuB showed that the livelihood projects were approved even in the absence of the governance conditions as provided for in Section 4.1.2 of the DBM-DILG-DSWD-NAPC JMC No. 6. Funds for the various livelihood projects were released to the ACP barangays without compliance on the eligibility requirements.

45. It was noted that these barangays considered as ACPs of the livelihood projects belong to those cities/municipalities with unliquidated fund transfers previously released by the Department of Labor and Employment, Region X. This gives the conclusion that the releases were coursed through the barangays to circumvent the requirements on the grant of cash advances.

46. Upon evaluation on the provision of the 20% ACP counterpart, the barangays did not provide for the cash equivalent since the livelihood projects did not form part of their programs besides having no provision for the counterpart in the Internal Revenue Allocation (IRA) for 2015.

47. To this date, these funds were not yet liquidated. Interviews conducted revealed that the status of implementation is still on the bidding processes despite funds having been released to the ACP barangays for quite sometime already (see Annex B). The lack of basis in evaluating the capabilities of the ACPs in handling the project releases contributed to the late implementation of the grants. In addition, other project proposals of other barangays were released by the ACPs hindering proper monitoring of the implementations.

48. In addition, the lack of proper evaluation of the project proposals as to reasonability and attainability, as well as sustainability, on the part of the agency, the inability and lack of capability of the ACP to implement, the lack of social preparation of

the beneficiaries, contributed to the non-fulfillment of the programs' objectives in providing livelihood grants which could have augmented the income of the beneficiaries. Consequently, the recipient ACP barangays have benefitted the use of these funds as project undertaking had been in delay.

49. The management commented that transfer of funds to barangays were in accordance with the instruction from Central Office. This practice has been applied nationwide.

50. We recommended to management the following:

- a) **adhere strictly to the provisions stipulated in the above-mentioned circular giving more importance to the project proposal evaluation processes.**
- b) **ensure that the Accredited Co-Partners provide in their IRAs the required cash counterpart equivalent to 20% of the total cost of the contract and a Bids and Awards Committee equipped with knowledge and capabilities to implement the projects as approved.**
- c) **safeguard the utilization of government resources in the most efficient and effective manner.**

Tulong Pangkabuhayan sa Ating Disadvantaged/Displaced Workers (TUPAD)

51. The preference on the qualification of beneficiaries of the Tulong Pangkabuhayan sa Ating Disadvantaged/Displaced Workers (TUPAD) for CY 2015 for Bukidnon with project cost amounting to P1,964,727.00, was not in conformity with the provision of the TUPAD Program since it deprived the considered qualified constituents of the LGUs the assistance and economic benefits of the program.

52. Section C, Department Order No. 137-A provided for the qualifications of TUPAD beneficiaries which includes a) those who are unemployed or under-employed; b) who were laid-off or terminated as a result of permanent closure of an establishment; and c) who were self-employed and have lost their livelihoods because of natural or man-made disasters.

53. Several municipalities and barangays of Bukidnon were recipients of the TUPAD Program from the congressional funding of ABAMIN and ICare. Tulong Pangkabuhayan sa Ating Disadvantaged/Displaced Workers (TUPAD) is a community-based package of assistance that provides emergency employment for displaced workers, underemployed, and unemployed poor. It is the responsibilities of both, the Accredited Co-Partner (ACP) and the Provincial Field Office (PFO) to prepare and submit complete documentary requirements as provided for in Section 18-B of the Department Order.

54. The following observations relative to the above condition, were noted through examination and verification of the documents attached to the liquidation report submitted by the Provincial Field Office (PFO).

1.1 The TUPAD Program of Bukidnon employed Punong Barangays and Barangay Kagawads in violation with the provision of Section C of DO No.137-A of the DOLE.

55. The ACP and the PFO failed to detect the inclusion of public officials as beneficiaries to the TUPAD Program.

56. Verification of the certifications issued by the Punong Barangays of the various barangay-beneficiaries of the TUPAD program showed some barangay officials, both elected and appointed, were certified as unemployed.

57. The following barangay officials were part of the work-force of the TUPAD project and were paid the corresponding salary equivalent to ten (10) days just like the other qualified beneficiaries.

Name of Beneficiary	Position	Barangay	Municipality
Consuelo M. Inojaldo	Punong Barangay	Kisolon	Sumilao
Nestor P. Huraño	Punong Barangay	Nicdao	Baungon
Lucila R. Ortizano	Barangay Kagawad	Nicdao	Baungon
Miliza Y. Mangayan	Barangay Treasurer	Nicdao	Baungon
Reynaldo E. Bargayo	Barangay Secretary	Nicdao	Baungon
Crispin G. Pepito	Punong Barangay	Brgy. 4	Malaybalay City
Jocelyn A. Echano	Barangay Kagawad	Brgy. 4	Malaybalay City

58. The documents may have only shown a small percentage of officials included, however this indicates poor evaluation and examination of the TUPAD program requirements submitted for approval.

1.2 Students were considered as TUPAD workers, depriving them of full attendance to their classes at school.

59. Several students worked as TUPAD beneficiaries and were paid one hundred percent (100%) salary for the services rendered for ten (10) days based on the identifications submitted in withdrawing their salaries.

60. While it is not expressly provided that students can or cannot be considered as beneficiaries of the program, their employment could be detrimental in their attendance to school. The employment is an encouragement to be absent in class for ten (10) days in order to earn. However, due to the limitation of the review, which is only focused on the attached documents, the team is inclined to send confirmation letters to the corresponding schools as to the enrollment and attendance of the students during the 2nd semester of CY 2015.

61. The employment of enrolled students defeats the purpose of the program to extend assistance to the more qualified beneficiaries of the TUPAD.

1.3 The OPLAN TUPAD Workers Checklists and Payroll registered family members believed to belong in one household which is a violation to Section 16 of Department Order No. 137-14 Series of 2014 or the Guidelines in the Implementation of the DOLE Integrated Livelihood and Emergency Employment Programs (DILEEP) which provides that “only one member of a household shall be qualified to avail of the program”.

62. The DO is very specific in its provision that only one member of a household shall be qualified to avail of the program and availment shall be only once in a year.

63. Verification made on the Workers Checklists and Payroll relative to payment of salary for the period December 1-14, 2015 on work rendered revealed that there are few workers who have the same surnames and middle names prompting us to believe that they are related and belonged to the same household. It can also be noted in the ages and name of beneficiaries listed across the name of the payees.

64. The failure of the PFO to thoroughly review the profile of the beneficiaries caused members of the same household to solely benefit from the government’s program in the alleviation of the life of the poor, instead of giving other qualified members of the community the chance to be a participant of the program.

65. The management commented that as we quote: “This could not be avoided due to tribal or cultural situation especially in the Provinces of Bukidnon and Lanao del Norte since there are proponent has the same surname but do not belong to one family.”

66. We recommended to management the following:

1. observe strict adherence on the provisions of the TUPAD Program in order to truly achieve the objectives and purpose of the program particularly on:

- **Observance of the qualification requirements of beneficiaries;**
- **Follow the “one member of a household” policy in the availment of the assistance.**

2. give due consideration on the uniform interpretation and awareness on the relevance of the procedural guidelines and documentation requirements in the implementation of the TUPAD program.

3 implement proper coordination and thorough review and evaluation of supporting documentations should be faithfully executed by the program

implementors, particularly the Accredited Co-Partner and the DOLE Field Office.

- 4. ensure that government resources are utilized and managed in the most efficient and effective manner.**

Gender and Development (GAD)

67. Management did not allocate funds for the implementation of plans, programs and projects related to senior citizens and the differently-abled persons for CY 2016 contrary to the provisions of Section 36 of the General Provisions of RA No. 10717 (GAA for FY 2016) and Joint DBM and Department of Social Welfare and Development (DSWD) Circular No. 2003-01 dated April 28, 2003, thus, depriving them the rights and privileges.

68. Section 36 of the general provisions of the GAA for FY 2016 provides that:

“All agencies of the government shall formulate plans, programs and projects intended to address the concerns of senior citizens and differently-abled person, insofar as it relates to their mandated functions, and integrate the same in their regular activities.”

69. Moreover, all government facilities, including infrastructure, non-infrastructure and civil works projects of the government, as well as office buildings, streets and highways, shall provide architectural features and designs that shall reasonably enhance the mobility, safety and welfare of persons with disability pursuant to BP Bldg. 344 and RA 7277.

70. Likewise, Section 4.2 of the Joint DBM and DSWD Circular No. 2003-01 dated April 28, 2003 provides that:

“All government agencies, departments, bureaus, offices, commissions and state universities and colleges shall allocate at least one percent (1%) of their respective budget for the implementation of plans, programs, projects, activities and services for older persons and persons with disabilities.”

71. Verification of the agency’s compliance on the above state provisions revealed that for CY 2016, the management did not allocate funds for programs and projects for senior citizens and differently-abled persons.

72. The practice of the management of not allocating funds for programs and projects for senior citizens and differently-able persons is contrary to the provisions of GAA and Joint DBM and DSWD Circular No. 2003-01 dated April 4, 2003 thus, depriving them of their rights and privileges.

73. We recommended that Management should:

- **allocate funds at least one percent (1%) of the agency’s budget for the implementation of programs and projects for the senior citizens and differently-abled persons.**
- **formulate plans, programs and projects intended to address the concerns of senior citizens and persons with disability, insofar as it relates to the agency’s mandated functions; and integrate the same in its regular activities, as required by law to enhance the mobility, safety, and welfare of the senior citizens and persons with disability.**

Compliance with Tax Laws

74. DOLE-X was able to fully remit its obligations with the Bureau of Internal Revenue (BIR) a total of P6,595,043.26 in taxes collected/withheld from its officers and employees and suppliers on procurement of goods and services for CY 2016 as shown in the table below.

Month	Taxes Withheld			Remittance to BIR			
	From Suppliers	From Compensation	Total	Date	Amount	TRA No.	
					In Check (TF)	Per TRA	
Jan.		352,087.40	352,087.40	2/9/16		352,087.40	160982016423896
	5,960.95		5,960.95			5,960.95	160982016425150
	14,806.89		14,806.89			14,806.89	160982016424379
	35,556.34		35,556.34				
Feb.		358,129.47	358,129.47	3/9/16		358,129.47	160982016442939
	52,599.37		52,599.37	3/10/16		52,599.37	160982016444094
	17,996.16		17,996.16	3/10/16		17,996.16	160982016444158
			0.00	2/9/16	33,092.05	0.00	171000014195357
	1,392.23		1,392.23	2/9/16	2,464.29	1,392.23	116000014195357
March		402,505.86	402,505.86	4/8/16		402,505.86	160982016458819
	26,696.53		26,696.53	4/8/16		26,696.53	160982016459146
	10,965.71		10,965.71	4/8/16		10,965.71	160982016459170
	7,392.86		7,392.86	3/10/16	1,392.23		171600014607690
April		416,477.30	416,477.30	5/4/16		416,477.30	160982016469064
	75,153.06		75,153.06	5/4/16		75,153.06	160982016469093
	25,249.08		25,249.08	5/4/16		25,249.08	160982016469111
	20,463.59		20,463.59				
May		433,094.45	433,094.45	6/8/16		433,094.45	160982016489276
	70,028.32		70,028.32	6/8/16		70,028.32	160982016489316
	104,039.86		104,039.86	6/8/16		104,039.86	160982016489303
	3,092.26		3,092.26				
June		453,454.75	453,454.75	7/5/16		453,454.75	160982016500631
	73,190.82		73,190.82	7/5/26		73,190.82	160982016500664

	27,694.16		27,694.16	7/5/26		27,694.16	160982016500711
	5,659.31		5,659.31				
July		453,870.47	453,870.47	8/8/16		453,870.47	160982016522859
	26,088.89		26,088.89	8/8/16		26,088.89	160982016522899
	60,342.70		60,342.70	8/8/16		60,342.70	160982016522882
	579.38		579.38				
Aug.		434,356.84	434,356.84	9/8/16		434,356.84	160982016540843
	108,360.63		108,360.63	9/8/16		108,360.63	160982016539615
	42,233.64		42,233.64	9/8/16		42,233.64	160982016539624
	7,714.29		7,714.29		33,043.40		176000162400441
Sept.		416,020.50	416,020.50	10/6/16		416,020.50	160982016553719
	129,107.90		129,107.90	10/6/16		129,107.90	160982016553795
	54,222.13		54,222.13	10/6/16		54,222.13	160982016553822
Oct.		416,742.83	416,742.83	11/11/16		416,742.83	160982016575868
	68,958.67		68,958.67	11/11/16		68,958.67	160982016575914
	30,400.04		30,400.04	11/11/16		30,400.04	160982016575987
Nov.		412,822.36	412,822.36	12/9/16		412,822.36	160982016591655
	146,086.10		146,086.10	12/9/16		146,086.10	160982016591704
	45,335.40		45,335.40	12/9/16		45,335.40	160982016591746
Dec.		433,375.00	433,375.00	1/10/17		433,375.00	160982017608819
	316,813.22		316,813.22	1/10/17		316,813.22	160982017609281
	80,103.05		80,103.05	1/10.17		80,103.05	160982017609351
Total	1,694,283.54	4,982,937.23	6,677,220.77		69,991.97	6,595,043.26	

Compliance with RA 8291 on Proper Deduction and Remittance of GSIS Premiums

75. In compliance with RA 8291, for CY 2016, the DOLE-X has deducted and remitted to the GSIS the amount of **₱6,550,601.57** for GSIS premiums. The monthly deduction and remittance are as follows:

Month	Contributions/Deductions				Amounts Remitted
	Life/Retirement Premium		Employees Compensation on Gov't. Share	Total	
	Personal Share	Government Share			
January	208,697.58	278,263.44	7,800.00	494,761.02	494,761.02
February	243,866.34	282,428.16	7,900.00	534,194.50	534,194.50
March	249,183.69	346,518.24	7,900.00	603,601.93	603,601.93
April	218,933.72	310,107.84	8,000.00	537,041.56	537,041.56
May	229,661.82	278,713.41	7,900.00	516,275.23	516,275.23
June	246,456.36	313,025.76	8,000.00	567,482.12	567,482.12
July	235,902.06	321,397.01	7,800.00	565,099.07	565,099.07
August	247,605.22	308,359.64	8,500.00	564,464.86	564,464.86
September	222,556.46	324,820.26	7,600.00	554,976.72	554,976.72
October	224,490.06	299,347.50	7,694.78	531,532.34	531,532.34
November	222,703.74	296,938.30	7,594.78	527,236.82	527,236.82

December	217,098.54	328,836.86	8,000.00	553,935.40	553,935.40
Total	2,767,155.59	3,688,756.42	94,689.56	6,550,601.57	6,550,601.57

Settlement of Suspensions, Disallowances and Charges

76. COA Circular No. 2009-006 dated September 15, 2006 prescribes the use of the Rules and Regulations on Settlement of Accounts. It further provides that the total unsettled suspensions, disallowances and charges at the end of the calendar year as reflected in the SASDC as of the last quarter shall be reported in the ML for the same year.

77. The Statement of Audit Suspensions, Disallowances, and Charges (SASDC) as of December 31, 2016 is as follows:

	Beginning Balance, As of December 31, 2015	This Period, Jan to December 31, 2016		Ending Balance, As of December 31, 2016
		Issued	Settlement	
Notice of Suspension	17,299,218.06	2,261,104.08	9,399,840.69	10,808,015.47
Notice of Disallowance	462,829.05	193,089.64	45,685.98	610,232.71
Notice of Charges	0.00	0.00	0.00	0.00
Total	18,409,581.13	2,454,193.72	9,445,526.67	11,418,248.18

II. Status of Implementation of Prior Years' Audit Recommendations

78. We made a follow-up on the action taken by the DOLE-ROX to implement prior years' recommendations covering CY 2011-2015 and noted the following:

Status of Implementation	No. of Recommendations
Fully Implemented	5
Partially Implemented	14
Not Implemented	3

79. The results of validation on the implementation of prior year's audit recommendations are presented in **Annex G**.

III. Acknowledgement

80. We wish to express our appreciation to the Management and staff of DOLE-ROX, for the cooperation and assistance extended to our audit team during the audit.

81. We would appreciate receiving your reply both in hard and electronic copies, within 60 days from receipt of this letter.

Very truly yours,

PENELOPE F. VEGA
State Auditor III
Audit Team Leader

Copy Furnished:

The Regional Director
COA Region X, Cagayan de Oro City

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File