



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

OFFICE OF THE AUDIT TEAM LEADER

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

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March 6, 2018

ATTY. JOFFREY M. SUYAO, CESO III

Regional Director
Department of Labor and Employment
Region X
Cagayan de Oro City

Dear **Director Suyao**:

**Management Letter on the Audit of the
DEPARTMENT OF LABOR AND EMPLOYMENT
Regional Office No. X
For the period January 1 to December 31, 2017**

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, 2017. 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, 2017 to December 31, 2017 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 5, 2018. 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 2017.

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.

A. INTRODUCTION

Agency's Mandate and Organizational Structure

6. The Department of Labor and Employment (DOLE) started as a small bureau in 1908. It became a department on December 8, 1933 with the passage of Act 4121. It became a Ministry in 1978 and was reorganized and expanded into the Ministry of Labor and Employment in 1980. In 1986, it was renamed as the Department of Labor and Employment (DOLE) to suit the presidential form of government 4e-established after the EDSA Revolution in 1986.

7. The DOLE 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. It is also mandated to promote gainful employment opportunities, develop human resources, protect workers and promote their welfare and maintain industrial peace. Consistent with the national development plan, its vision is the attainment of decent and productive employment for every Filipino worker.

8. To carry out its mandate for CY 2017, the DOLE Regional Office X is headed by Atty. Joffrey M. Suyao, CESO III and assisted by Assistant Regional Director Estrella U. Pahalla. It was manned by 81 regular personnel assigned to the different divisions/units, namely: Internal Management and Service Division (IMSD); Technical Support Services Division for Employment and Welfare and for Labor Relation and Standards; Med-Arbitration Unit; and Provincial Field Offices of Misamis Oriental, Misamis Occidental, Bukidnon, Camiguin and Lanao del Norte-Iligan District Office.

Operational Highlights

9. DOLE Region X reported, among others, the following accomplishments per Major Final Output (MFO) and Performance Indicator for CY 2017:

MFO and Performance Indicators	Target	Actual Accomplishments	Percentage of Accomplishments
MFO 1 – Labor Policy Services			
<ul style="list-style-type: none"> - No. of policies updated, issued and - Percentage of stakeholders that rate policies as satisfactory or better - Percentage of policies that are updated, issued and disseminated in the last 3 years 			
MFO 2 – Employment Facilitation and Capacity-Building Services			
<ul style="list-style-type: none"> - No. of qualifies persons referred for placement 	95,000	133,368	140%
<ul style="list-style-type: none"> - No. of individuals reached through Labour Market Information (LMI) - Percentage of individuals who rate the services provided as satisfactory or better 	85,000	89,287	105%
<ul style="list-style-type: none"> - Percentage of individuals who rate the services provided as satisfactory or better 	70%	83%	119%
<ul style="list-style-type: none"> - Percentage of individuals who provided services within the prescribed process cycle time (PCT) 	100%	100%	100%
<ul style="list-style-type: none"> - No. of beneficiaries provided with livelihood assistance (10,000 on the average per capita cost/project) 	3,789	7,173	189%
<ul style="list-style-type: none"> - Program for the Employment of Students (SPES) 	10,603	14,626	137%
<ul style="list-style-type: none"> - No. of youth beneficiaries provided with Jobstart services 	440	442	100%
<ul style="list-style-type: none"> - Percentage of beneficiaries who rate the services provided as satisfactory or better 	70%	234	97.9%
MFO 3 – Labor Force Welfare Services			
<ul style="list-style-type: none"> - No. of workers served 	Var	41,626	100%

- Percentage of workers who rate the services provided as satisfactory or better	70%	93%	132%
- Percentage of affected workers provided services within the prescribed PCT	100%	100%	100%
MFO 4 – Employment Regulation Services			
- No. of establishment inspected	2,565	2,720	106%
- Percentage of appealed labor disputes disposed (SpeEd)	100%	1,178	100%
- Percentage of application for permits/licenses/registrations processed within the prescribed PCT	100%	100%	100%
- Percentage of complaints and request for assistance settled within 30 days from filing (Single Entry Approach)	77%	366	89%
- Percentage of establishment with deficiencies given appropriate assistance leading to compliance	100%	100%	100%

Financial Profile

10. For CY 2017, the DOLE Region X financial condition, results of operations and sources and uses of funds is presented below with comparative figures for CY 2016, as follows:

Source of Funds/Appropriation

Particulars	Appropriation	Allotment	Total Obligations	Unobligated
PS	Current	56,920,231.28	56,501,087.29	419,143.99
MOOE	Current	274,585,448.46	260,509,894.51	1,075,553.95
CO	Current	630,000.00	629,998.00	2.00
Sub-Total		332,135,679.74	317,640,979.80	14,494,699.94
MOOE	Continuing	3,12,1343.80	31,649,003.54	472,340.256
CO	Continuing	422,963.00	422,433.00	530.00
Sub-Total		32,544,306.8	32,071,436.54	472,870.26
Grand Total		364,679,986.54	349,712,416.34	14,967,570.20

NCA Utilization and Balances

Particulars	Amount Received	Disbursed	Unutilized Balance	Reverted to NT
PS	41,556,587.00	41,556,587.00		
MOOE	310,904,722.52	275,960,652.70	34,944,069.82	34,944,069.82
CO	588,593.75	588,593.75		
RG/TL/AP	6,846,789.25	6,953,387.36	(106,598.11)	(106,598.11)
	359,896,692.52	325,059,220.81	34,837,471.71	34,837,471.71

Financial Position-per fund

Particulars	CY 2017	CY 2016	Increase/(Decrease)
Regular Agency Fund			
Assets	304,223,657.68	304,632,971.97	(409,314.29)
Liabilities	5,829,260.02	2,808,607.90	3,020,652.05
Government Equity	298,394,397.66	301,824,364.07	(3,429,966.41)

Particulars	CY 2017	CY 2016	Increase/(Decrease)
Trust Cluster Fund			
Assets	1,432,101.34	3,209,812.98	(1,777,711.64)
Liabilities	1,432,101.34	3,209,812.98	(1,777,711.64)
Government Equity	-	-	-

Sources and Application of Funds

Particulars	CY 2017	CY 2016	Increase/(Decrease)
Results of Operations			
Total Income	172,512,459.87	307,837,722.92	(135,325,263.05)
Total Expenses	90,270,147.86	83,255,056.02	7,015,091.84
Excess of Income over Expenditures	82,242,312.01	224,582,666.90	(142,340,354.89)

Scope of Audit

11. The audit covered the CY 2017 transactions on a test basis, the accounts and operations of the Department of Labor and Employment, Region X, in accordance with the Philippine Public Sector Standards of Auditing (PPSSA). The audit was conducted to: a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; c) recommend agency improvement opportunities; and d) determine the extent of implementation of prior year's audit recommendations.

B. SUMMARY OF RECOMMENDATIONS

12. The following are the significant findings and recommendations in the audit of Department of Labor and Employment, Region X for CY 2017.

VALUE FOR MONEY AUDIT

DOLE Integrated Livelihood Program (DILP)

We recommended management to:

- a.) Comply with the monitoring, reporting and evaluation of the programs as prescribed under Department Order No. 137-14 (Department Order No. 173 as revised).
- b.) Strengthen the evaluation process of the project proposals giving utmost consideration with the project's viability, feasibility, and sustainability in line with the KABUHAYAN program objectives. Hence, the agency must meticulously assess and carefully evaluate the project proposals.
- c.) Require field offices and focal persons to closely monitor the status of the various project implementation and recommend corrective measures to put the approved projects back on track should they encounter ordeals or problems in implementation.
- d.) Re-evaluate the program strategies and review existing guidelines to devise alternative measures in preventing the recurrence of cited deficiencies and make them more responsive in addressing the perceived needs of the beneficiaries. Further, they should ask feedback from the beneficiaries, focal persons, ACPs, and other people involved in the implementation to improve the program and achieve effective and efficient ways of application and eventually generate information and knowledge about good practices.

DOLE- DILP Implementation by Accredited Co-Partners

We recommended management to:

- a) Require the Accredited Co-Partners to comply with the rules set out in the Department Order No. 137-14 series of 2014 (as revised to Department Order 173, series of 2017) on the procurement of necessary raw materials, equipment, tools and jigs indicated in the approved project proposal and rules required by RA 9184 in the procuring process;

- b) Strengthen their monitoring activities and closely monitor the implementation of the various KABUHAYAN projects to find out those projects that deviates from their respective MOAs and project proposals and provide solution and guidance to remedy the deviations especially with procurement; and
- c) Stress out to all focal persons in the different provinces the importance of proper orientation to the Accredited Co-Partners and beneficiaries as these would have been prevented if the concerned individuals, organizations and associations, were properly informed and thoroughly educated of their respective responsibilities.

Livelihood Projects

We recommended management to:

1. Strictly comply with their monitoring responsibilities set out in Department Order No. 137-14 series of 2014 (as revised to Department Order 173, series of 2017) to determine whether or not the different programs have been successfully implemented in a timely manner and the agency objectives are attained. They must conduct regular monitoring, visitation and inspection of project being implemented and require the submission of accomplishment reports from the different provinces and field offices to know the status of the implementation of the different projects. This will ensure that government resources are utilized and managed in the most efficient and effective manner and that the provision of the aforementioned rules and regulations are strictly complied with.
2. Require the provincial field office and focal persons to have a constant and frequent communication with the ACPs and the beneficiaries during the implementation of the projects to know the problems encountered and provide solutions or even prevent them, if possible, efficiently and effectively to prevent future deviations per approved project proposals and assure proper utilization of funds.

FINANCIAL AND COMPLIANCE

Property, Plant and Equipment- Unreconciled Balances

We recommended management to create a committee or assign personnel to conduct periodic reconciliation between accounting and property records in order to immediately trace variances and make necessary adjustments in order to arrive at a correct PPE account balances pursuant to Paragraph 4, Section 114 of NGAS

Property, Plant and Equipment -Unserviceable

We recommended management to create an appraisal committee to conduct appraisal of the unserviceable properties and indicate the appraisal in the Inventory and Inspection Report for Unserviceable Properties (IIRUP) and submit to COPA for evaluation.

Cash Gifts to Retirees

We recommended management to stop the practice of granting monetary appreciation gifts and to demand refund of ₱365,000.00 given during CYs 2015-2017 from concerned retired employees.

C. DETAILED OBSERVATIONS AND RECOMMENDATIONS

Value for Money

DOLE Integrated Livelihood Program (DLIP)

13. The required monitoring and reporting system for DOLE Integrated Livelihood Program (DILP) or KABUHAYAN Programs prescribed under Department Order No. 137-14, series of 2014 (as revised to Department Order No. 173, series of 2017) is not fully utilized, and thus, success of the different projects under the program could not be adequately measured resulting to few success stories, hence slowing the attainment of the program objectives.

14. The DOLE Integrated Livelihood Program (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.

15. Sec. 27 of Department Order No. 137-14 dated March 28, 2014 (Sec. 26 of Department Order No. 173 dated February 14, 2017 as revised) provides that a DOLE Assessment Team composed of representatives from the BWSC, DOLE-Internal Audit Service (IAS) and DOLE-Financial and Management Service shall also conduct an end-term and/or program evaluation for an in-depth analysis of the process, inputs, outputs, outcomes and impact of the program towards: ***a) improving the design and performance of the program; b) making an overall conclusion on the effectiveness of the program; and c) generating information and knowledge about good practices.***

16. Further, Sec. 28 of the same Department Order (Sec. 27 of Department Order No. 173 as revised) provides that to ensure internal control, the accountabilities of the Regional Offices and the Central Office are hereby set out:

A. The Regional Offices shall:

1. Ensure that all transactions are in accordance with COA and DBM rules and regulations;
2. Undertake thorough background investigation of the ACP to ensure its legitimacy and capability;
3. ***Monitor implementation of project by ACP and get feedback from beneficiaries;***
4. Required the concerned Field/Provincial Officer to sign an undertaking in case of direct administration; and
5. Ensure full liquidation of funds, subject to existing government accounting and auditing rules, regulations and procedures.

17. The DOLE Integrated Livelihood Program or KABUHAYAN Program seeks to contribute to poverty reduction and reduce vulnerability to risks the poor, vulnerable, and marginalized workers either through the promotion of entrepreneurship and community enterprise. But due to the laxity of the Management in monitoring, success of the different projects under the program could not be adequately measured resulting to few success stories.

18. The success of the KABUHAYAN program is not dependent solely on the number of its recipients, but more so, on what has become of its beneficiaries after the grant. The DOLE-X has implemented the livelihood projects for the past years but without discerning the status of the grants during and after the projects are implemented and without any feedback on how well its beneficiaries have performed individually to find out how effective the programs were.

19. Further, upon monitoring and evaluation by the Audit Team in the implementation of the KABUHAYAN Program and on the releases of funds for livelihood projects, the following deficiencies were observed:

- a. Fast release of funds for projects lacking proper evaluation and/or not properly evaluated
- b. Unutilized livelihood projects
- c. Delayed project implementation

20. The fast utilization rate in the release of funds resulted to the laxity of the evaluation of the proposed projects, hence the viability or feasibility of the projects were not ascertained positively. Thus, quality is sacrificed over quantity. Due to this, some project funds were found unutilized and have been delayed in implementation for the past years. The audit monitoring and inspection further revealed that some projects encountered

various problems during implementation. Procurement of materials, absence of the required 20% equity, non-adherence with the stipulations on the Memorandum of Agreement (MOA), inability to sustain labor workforce, and confusion among the ACPs' and beneficiaries' responsibilities were just some of the problems encountered. And these would have been given solutions if communicated on time. Consequently, these problems, in turn, delayed the liquidation of some of the released funds for an unreasonable period of time. Moreover, it was observed that some projects already ceased to operate within the early stages of operations thereby questioning the sustainability of the projects being approved. In totality, these deficiencies hindered the attainment of the program objectives.

21. The management recognized the weakness in the monitoring system and commented that as we quote, "The composition of the monitoring is diversified, hence meeting each other is inconvenient." Accordingly, they have issued an office order reconstituting the Regional Monitoring, Evaluation and Liquidation Committee (RMELC) to monitor project implementation, assist the beneficiaries in the preparation and consolidation of their terminal/liquidation reports and recommend remedial measures to avoid delays in the submission of the reports/documents.

22. We recommended management the following:

- a.) That the agency must comply with the monitoring, reporting and evaluation of the programs as prescribed under Department Order No. 137-14 (Department Order No. 173 as revised).**
- b.) That the agency should strengthen the evaluation process of the project proposals giving utmost consideration with the project's viability, feasibility, and sustainability in line with the KABUHAYAN program objectives. Hence, the agency must meticulously assess and carefully evaluate the project proposals.**
- c.) That the agency should require field offices and focal persons to closely monitor the status of the various project implementation and recommend corrective measures to put the approved projects back on track should they encounter ordeals or problems in implementation.**
- d.) Lastly, that the agency should re-evaluate the program strategies and review existing guidelines to devise alternative measures in preventing the recurrence of cited deficiencies and make them more responsive in addressing the perceived needs of the beneficiaries. Further, they should ask feedback from the beneficiaries, focal persons, ACPs, and other people involved in the implementation to improve the program and achieve effective and efficient ways of application and eventually generate information and knowledge about good practices.**

DOLE-DILP Implementation by Accredited Co-Partners (ACP)

23. **The implementation of some projects under DOLE Integrated Livelihood Programs (DILP) or KABUHAYAN Programs by the Accredited Co-Partners (ACPs) did not adhere to the rules set out in the Department Order No. 137-14, series of 2014, as revised to Department Order No. 173, series of 2017, on the procurement of necessary raw materials, equipment, tools and jigs indicated in the approved project proposal which resulted to problems in the liquidation of the funds granted.**

24. Department Order No. 137-14 dated March 28, 2014, (Section 26 of Department Order No. 173 dated February 14, 2017 as revised), Annex M, Section B-2, provides the format for the Memorandum of Agreement (MOA) for Implementation of KABUHAYAN Program thru proponent Accredited Co-Partner/Proponent Beneficiary. The sample MOA format explicitly states that the **PROPONENT ACP** shall **“procure the necessary raw materials, equipment, and tools and jigs indicated in the approved project proposal in accordance with government accounting and auditing rules and regulations and RA 9184, as applicable, within 3 months from receipt of project funds.”**

25. Moreover, Section 8.1.1 of the Revised Implementing Rules and Regulations of Republic Act No. 9184, otherwise known as The Government Procurement Reform Act 9184, states that:

“ To promote transparency and efficiency, information and communications technology shall be utilized in the conduct of procurement procedures. Accordingly, there shall be a single portal that shall serve as the primary source of information on all government procurement. The PhilGEPS shall serve as the primary and definitive source of information on government procurement...”

Further, Section 8.3.1 of the same Republic Act states that

“All Procuring Entities are mandated to fully use the PhilGEPS in accordance with the policies, rules, regulations and procedures adopted by the GPPB and embodied in this IRR...”

26. The audit team evaluated and verified the implementation of the DOLE Integrated Livelihood Program (DILP) in the various provinces in Region X, and observed that some PROPONENT ACPs directly released the funds to the beneficiaries without procuring the necessary raw materials, equipment, tools and jigs indicated in the approved project proposal which is actually their responsibility as ACPs as indicated in their respective Memorandum of Agreement (MOA) with DOLE and the beneficiaries.

27. Inquiry with the concerned ACPs disclosed that they believe that direct releases of funds will make it easier and advantageous on the part of the beneficiaries for they can easily determine and decide in the procurement of the necessary raw materials, equipment,

tools and jigs. Also, they replied that they do not know of such non-conformity as they think that they are doing the right procedures to speed up the procuring process and thereby hasten the implementation of the projects.

28. Such obtaining conditions, clearly violated the two aforementioned provision of RA 9184 and not in conformity with the signed MOA and the approved Project Proposals. Further, the beneficiaries had a hard time liquidating the cash releases for lack of knowledge on the documentary requirements, which eventually resulted to the difficulty of the ACPs to liquidate their cash advances.

29. The management also acknowledged their weakness and will cover issuance of the office order reconstituting the Regional Monitoring, Evaluation and Liquidation Committee (RMELC). As to the proper orientation of Accredited Co-Partners, the agency accordingly already performed proper re-orientation to the different ACPs in the different provinces.

30. We recommended that:

- a) **the Accredited Co-Partners comply with the rules set out in the Department Order No. 137-14 series of 2014 (as revised to Department Order 173, series of 2017) on the procurement of necessary raw materials, equipment, tools and jigs indicated in the approved project proposal and rules required by RA 9184 in the procuring process;**
- b) **the agency should strengthen their monitoring activities and closely monitor the implementation of the various KABUHAYAN projects to find out those projects that deviates from their respective MOAs and project proposals and provide solution and guidance to remedy the deviations especially with procurement; and**
- c) **the agency should stress out to all focal persons in the different provinces the importance of proper orientation to the Accredited Co-Partners and beneficiaries as these would have been prevented if the concerned individuals, organizations and associations, were properly informed and thoroughly educated of their respective responsibilities.**

Livelihood Projects

31. **Potential income of beneficiaries from livelihood projects amounting to at least P1,983,715.05 was not fully realized due to the deficiencies in program implementation of various livelihood projects that resulted in: (1) unutilized/unimplemented livelihood projects; (2) delayed implementation; and (3) funds not utilized for intended projects. This resulted to the non-compliance of the rules set out in the Department Order No. 137-14, series of 2014, as revised to**

Department Order No. 173, series of 2017, and the non-attainment of the program objectives as a whole.

32. Consistent with the government's thrust of alleviating poverty incidence in the country, the Department of Labor and Employment was tasked to implement various programs and projects which are intended to assist and provide services to the Filipino workforce which will contribute to the improvement of quality life in terms of increasing employment, whether through formal or informal sector, thereby reducing poverty incidence.

33. In line with the government's goal of inclusive growth thru massive job generation and poverty reduction, the DOLE implemented the Integrated Livelihood and Emergency Employment Program (DILEEP). This program particularly seeks to contribute to poverty reduction and reduce vulnerability to risks of the poor, vulnerable marginalized workers either through (1) transitional emergency employment and (2) promotion of entrepreneurship and community enterprise. DILEEP has two components: the Livelihood or KABUHAYAN program and the Emergency Employment Program or Tulong Panghanap-buhay sa Ating Disadvantage/Dispalced Workers or TUPAD. All DOLE existing livelihood programs were further integrated into the KABUHAYAN Program.

34. Department Order No. 137-14, dated March 28 2014 (Department Order No. 173, dated February 14, 2017, as revised), Annex M, provides the format for the Memorandum of Agreement (MOA) for implementation of KABUHAYAN Program thru proponent Accredited Co-Partner/Proponent Beneficiary. Excerpts from the sample MOA formal, under Section I-B, explicitly states that the PROPONENT ACP shall –

“ 1) Implement the approved livelihood project proposal which form as an integral part of this Agreement, in accordance with the approved project objectives, standards, systems, and procedures for project implementation, time schedule and the project cost estimates...

...2) **Procure the necessary raw materials, equipment, and tools and jigs indicated in the approved project proposal in accordance with government accounting and auditing rules and regulations and RA 9184, as applicable, within 3 months from receipt of project funds...**

...6) Utilize the amount received from DOLE solely for the above-mentioned approved project and/or for the purpose and line items as specified in the approved project proposals...

...16) Secure prior approval of the Regional Director in case of deviation from the approved project proposal.”

35. Further, Section 28, A-3 of the same Department Order provides that to ensure internal control, the accountabilities of the Regional Offices and the Central Office are hereby set out:

A. The Regional Offices shall:

3. Monitor implementation of project by ACP and get feedback from beneficiaries;

36. An audit was performed by the audit team which covered the evaluation of program expenditures for CY 2017. It was aimed at determining whether the program:

- Was efficiently and effectively implemented taking into consideration the following:

- Proper selection of ACPs/program beneficiaries
- Compliance with the provisions of the MOA
- Timely release of funds to ACPs/program beneficiaries
- Adequacy of policies and procedures

- Plans and targets for the year were attained; and
- Funds were properly utilized.

37. Results of the validation and evaluation by the audit team disclosed deficiencies in the implementation of the KABUHAYAN Program of DOLE Region X and on the releases of funds for livelihood projects in the different provinces under the Region amounting to at least P6,776,215.05, summarized as follows:

NATURE OF DEFICIENCIES	AMOUNT
I. Unutilized/Unimplemented livelihood projects	1,135,540.55
II. Delayed Project Implementation	4,992,500.00
III. Funds not utilized for intended projects	648,174.50
	6,776,215.05

38. Details per province are presented below:

LIVELIHHOD PROJECTS	BENEFICIARIES	AMOUNT	DEFICIENCIES	CAUSES
I. UNUTILIZED/UNIMPLEMENTED LIVELIHHOD PROJECTS				
Eastern Misamis Oriental				
Municipal Sea Fishing	Salay River II Fisherfolks and Farmers (SARIFAFI) Multi-Purpose Cooperative	235,540.55	Funds remained unutilized as of December 31, 2017 and deprived beneficiaries of financial assistance	Funds were not utilized due to the death of the President of the Association. Accordingly, they are still in the process of electing new president
Western Misamis Oriental				
Rice Trading	Malipayon Housing Association (MAHA), Iponan, CDOC	300,000.00	Unimplemented livelihood projects	Results of validation showed that the MAHA is non-existent according to the Punong Barangay at Iponan,

				Cagayan de Oro City where the situs of the said beneficiaries is supposedly located.
Misamis Occidental				
Sweet Potato Production	OCCARDP	250,000.00	Funds remained unutilized as of December 31, 2017	Still in the procurement process as they are having difficulty finding suppliers for “galay” that issue official receipts. The said equipment allegedly, is not always readily available in the market because of its nature.
Grocery and Product Whoesaler	Differently Able Action for Progress, Inc.	350,000.00	Funds remained unutilized as of December 31, 2017	The president won't agree to start the implementation of the program as he wants to deviate from the project proposal and start another project instead using the funds of the approved project
II. DELAYED PROJECT IMPLEMENTATION				
Misamis Occidental				
Rice Trading	Layawan Association of Senior Citizens	500,000.00	The implementation is taking too long for quite some time already due to some problems with procurement	As of to date, 100 sacks were still received out of the expected 480 sacks for procurement. The beneficiaries lack storage facility to store the sacks of rice. Further, they have no proper record-keeping for their transactions.
Rice Trading	Clarin BHW Association, Inc.	1,000,000.00	The implementation is taking too long for quite some time already as the check was received last June 2017	As of to date, the project still in the process of posting Philgeps which caused delay in implementation thereby depriving the beneficiaries of their potential income considering the lapse of time since the receipt of the funds.

Lanao del Norte					
Veggie Crème Ice Bar	Brgy. Maranding at Purok Pomelo	992,500.00	The implementation is taking too long for quite some time to some problems with procurement	-do-	
Catering Services	Brgy. Maranding at Purok Acacia	500,000.00	-do-	-do-	
Dress Making	4 P's Beneficiaries	500,000.00	-do-	Results of validation showed that the project is still in the process of procurement as they had encountered problems with the implementation due to change of local executive and resulted some conflict of interests to some implementing officials. But allegedly, the procurement is already on process	
Fruit and Fish Vending	Ambulant Vendors	500,000.00	-do-	-do-	
Dry Goods Selling	Market Vendors	500,000.00	-do-	-do-	
Banana Production	Landa/Sarip Alawi	500,000.00	-do-	-do-	
III. FUNDS NOT UTILIZED FOR INTENDED PROJECTS					
Eastern, Misamis Oriental					
Enhancement of Handmade Paper Production	San Roque Handmade Paper Product Multi-Purpose Cooperative	499,174.50	Implementation not in accordance with the project proposal	Funds were spent for the rehabilitation of a building which is not among the specified expenses per project proposal	
Misamis Occidental					
Rice Trading	Urban Farmers Association	149,000.00	Implementation not in accordance with the project proposal	Ready-made rice were purchased instead of "Palay" as indicated in the project proposal. Allegedly, DOLE X Regional Office did not receive proper documents and processes of such realignment.	
TOTAL		6,776,215.05			

39. The above-enumerated deficiencies deprived the intended beneficiaries in the respective provinces of livelihood opportunities in generating possible income through wage and self-employment, thus affecting the objective of the program.

40. Management commented that the issuance of the office order reconstituting the Regional Monitoring, Evaluation and Liquidation Committee (RMELC) will also remedy this problem. Further, they will also submit action plans and agreed strategies.

41. **Therefore, we recommended the following:**

3. The agency should strictly comply with their monitoring responsibilities set out in Department Order No. 137-14 series of 2014 (as revised to Department Order 173, series of 2017) to determine whether or not the different programs have been successfully implemented in a timely manner and the agency objectives are attained. They must conduct regular monitoring, visitation and inspection of project being implemented and require the submission of accomplishment reports from the different provinces and field offices to know the status of the implementation of the different projects. This will ensure that government resources are utilized and managed in the most efficient and effective manner and that the provision of the aforementioned rules and regulations are strictly complied with.

4. Further, provincial field office and focal persons must have a constant and frequent communication with the ACPs and the beneficiaries during the implementation of the projects to know the problems encountered and provide solutions or even prevent them, if possible, efficiently and effectively to prevent future deviations per approved project proposals and assure proper utilization of funds.

Financial and Compliance Audit

Property, Plant and Equipment – Unreconciled Balances

42. Property, Plant and Equipment (PPE) account balances in the total amount of P19,974,401.37 did not tally with the Report on the Physical Count of Property, Plant and Equipment of P19,628,310.97 by net discrepancy of P346,090.40 due to failure to conduct periodic reconciliation thus, rendering the accuracy of the PPE account balances doubtful.

43. Section C.3, Chapter V of the Manual on Property Custodianship states that:

“After the physical inventory taking, the Inventory Committee shall reconcile the results of the count with the property and accounting records. Xxx the inventory listing of the equipment shall be checked with property card

maintained by the Accounting and total therefore shall be compared with those in the general ledger.”

44. Paragraph 4, Section 114, Volume I of the NGAs Manual provides, among others, that:

“xxx the balance per stock card/property cards should always reconcile with the ledger cards of the accounting unit. They should also reconcile with other property records like Acknowledgement Receipt for Equipment (ARE) now Property Acknowledgement Report (PAR).”

45. As of December 31, 2017, the PPE account balance showed P19,974,401.37 broken down as follows:

PPE Account	Amount Per General Ledger	Amount Per RPCPPE
Office Equipment	2,420,739.48	2,420,739.48
ICT	7,464,221.85	7,133,131.45
Communication Equipment	15,000.00	-
Other Machinery	784,488.00	784,488.00
Motor Vehicles	9,289,952.04	9,289,952.04
Safety Instrument and Devices	-	903,844.48

46. The Supply Officer prepared and submitted the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as of December 31, 2017 with a total amount of P19,628,310.97, wherein the audit team noted that there is an unreconciled of P346,090.40 as of December 31, 2017.

47. Analysis of the PPE general ledger balances disclosed several accounts that are materiality bigger than the RPCPPE by P331,090.40, thus reflecting a net discrepancy of P346,090.40. This discrepancy includes the book balances of Communication Equipment amounting to P15,000.000, wherein no value was indicated in the RPCPPE.

48. The Regional Director commented that a committee will be created to conduct monthly reconciliation between accounting and property records.

49. The conduct of reconciliation is an important control to establish property accountability and accuracy of recorded PPE in the books. The absence of such procedure may pose risk that the balance of PPE accounts may not be fairly presented in the financial statements at year-end.

- 50. We recommended management to create a committee or assign personnel to conduct periodic reconciliation between accounting and property records in order to immediately trace variances and make necessary adjustments in order to arrive at a correct PPE account balances pursuant to Paragraph 4, Section 114 of NGAS 6.**

51. The Supply Officer and Accountant commented that as we quote, “The discrepancy is the result of double posting.” Accordingly, they are already on the process of reconciliation. Further, the Management committed in the creation of an Inventory Committee who will conduct monthly reconciliation.

Property, Plant and Equipment-Unserviceable

52. Unserviceable properties totaling P2,359,350.80 are still recorded under Property, Plant and Equipment (PPE) accounts instead of Other Assets account contrary to Section 35 of Government Accounting Manual (GAM) thus, resulting in the misstatement of both accounts. Further, these unserviceable properties remained undisposed as of this date.

53. Section 79 of PD 1445 provides that “When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable there for, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission xxx”.

54. On the other, Section 35 of GAM provides Other Assets account to record the value obsolete and unserviceable awaiting final disposition as well as other assets still unserviceable but no longer used.

55. Verification of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as of December 31, 2017 disclosed various unserviceable and obsolete properties for the period CY amounting to P2,167,102.00 which remained undisposed contrary to Section 79 of PD 1445. Likewise, these properties were recorded under the PPE accounts instead of Other Assets account contrary to Section 35 of GAM.

56. The unserviceable and obsolete properties are summarized as follows:

Account Code	Accounts	No. of Items	Amount
10605020 00	Office Equipment	25	578,062.80
10605990 00	Other Machinery	1	784,488.00
10605070 00	Motor Vehicles	3	996,800.00
	Total		2,359,350.80

57. Further, the accounting unit should complete the verification of the remaining unserviceable PPE to be transferred to Other Assets in the total amount of P37,400.00 pursuant to Section 35 of GAM in order to present fairly the PPE accounts.

58. We recommended that management create appraisal committee to conduct appraisal of the unserviceable properties and indicate the appraisal in the Inventory and Inspection Report for Unserviceable Properties (IIRUP) and submit to COPA for evaluation.

59. The management commented that they will commit in the creation of an Appraisal Committee who will conduct appraisal of unserviceable properties.

Cash Gifts to Retirees

60. Appreciation cash gifts amounting to ₱365,000.00 to honor the invaluable services of retiring officials and employees of the DOLE Region X for CYs 2015-2017 is without legal basis and not in accordance with the Civil Service Commission (CSC) Memorandum Circular No. 7 series of 1998 dated March 13, 1998, COA Circular No. 2013-003 dated January 30, 2013 and Sec. 28(b) of Commonwealth Act (CA) No. 186 dated November 14, 1936 as amended by the Teves Retirement Law dated June 17, 1967.

61. CSC Memorandum Circular No. 07 series of 1998 dated March 13, 1998 states that, "In line with the Civil Service Commission's thrust of humanizing the bureaucracy, the Commission in Resolution No. 98-0474 dated March 5, 1998 enjoins all heads of departments and agencies to adopt the "SALAMAT-PAALAM" Program in recognition of the contributions of the retiring officials and employees in their respective offices.

62. The "SALAMAT-PAALAM" Program is a simple but meaningful ceremony held in honor of retirees, whether under optional or compulsory retirement, not later than their scheduled date of retirement. During the ceremony, all retirees may be given a plaque of appreciation/recognition signed by the head/s of office/agency, and other awards and/or tokens as may be deemed proper issued their retirement benefits under the "Maginhawang Pagreretiro Program" during the Ceremony or on the date of their retirement.

63. Each agency shall develop its own mechanics of the Program subject to existing rules and regulations.

64. On the other hand, Sec. 28(b) of Commonwealth Act No. 186 dated November 14, 1936 as amended by the Sec. 10 of Teves Retirement Law dated June 17, 1967 states that:

"... no insurance or retirement plan for officers or employees shall be created by employer. All supplementary retirement or pension plans heretofore in force in any government office, agency or instrumentality or corporation owned or controlled by the government, are hereby declared inoperative or abolished."

65. On April 30, 2012, an Administrative Order (AO) No. 136 series of 2012 and subsequently on February 2, 2016, an AO No. 64 series of 2016 were signed by former Secretary Rosalinda Dimapilis-Baldoz granting an appreciation gifts ranging from

₱15,000.00 to ₱40,000.00 depending on the years of service of retired officials and employees; provided, that they have rendered at least fifteen years of service in the government, ten years of which should have been served in the DOLE.

66. The above AOs were used as its legal bases the CSC Memorandum Circular No. 07 series of 1998 dated March 13, 1998 and Section 5, Article V (Economic Benefits) of the 2012 and 2015 Collective Negotiation Agreements (CNAs) between the DOLE and the DOLE Organic Employees Association (DOLE-OEA) dated February 20, 2012 and March 15, 2015, respectively.

67. Review and verification of transactions of Other Personnel Benefits account revealed that the DOLE X granted a total amount of ₱365,000.00 appreciation cash gifts to retired officials and employees for CYs 2015-2017 detailed in Annex A.

68. However, the grant of appreciation cash gifts is without legal basis because there is no provision in the CSC Memorandum Circular No. 07 authorizing such monetary grant. Moreover, the basic component of the “SALAMAT-PAALAM” Program is the holding of a simple ceremony and awarding of a plaque of recognition/appreciation and other awards and/or tokens for the retirees.

69. Likewise, COA Circular No. 2013-003 dated January 30, 2013 reiterated that all payments of allowances, incentives, and other benefits all officials and employees of NGAs, LGUs, and GOCCs and their subsidiaries shall be based on and conform strictly with laws, rules and regulations granting or authorizing such payments, if without legal basis, they shall be disallowed in audit.

70. Furthermore, the grant of appreciation gifts is a form of supplementary retirement benefits which is prohibited by the Teves Retirement Law. In the case of Avelina B. Conte, et. al. vs. COA, G. R. No. 116422 dated November 4, 1996, the Supreme Court held the following:

“... In particular, the fifth preambular clauses which provides that it is the policy of the Social Security Commission to promote and to protect the interest of all SSS employees, with a view to providing for their well-being during both their working and retirement years and the wording of the resolution itself which states resolved further that SSS employees who availed themselves of the said life annuity (under RA 660), in appreciation and recognition of their long and faithful service, be granted financial assistance xxx can only be interpreted to mean that the benefit being granted is none other than a kind of amelioration to enable the retiring employee to enjoy (or survive) his retirement years and a reward for his loyalty and service.; and

Sec. 28 (b) of CA 186 as amended by RA 4968 in no uncertain terms bars the creation of any insurance or retirement plan – other than the GSIS – for

government officers and employees, in order to prevent the undue and inequitable proliferation of such plans.

71. The AOs provide that “In the interest of the service and in recognition of our retiree’s invaluable services to the Department xxx ...the Department shall provide an Appreciation Gift to retirees.” which clearly constitute a supplementary retirement plan.

72. Therefore, the grant of monetary appreciation gifts to retiring officials and employees did not conform with the rules and regulations of CSC Memorandum Circular No. 07 and prohibited by the Teves Retirement Law. Accordingly, such grant should be disallowed in audit as emphasized in COA Circular No. 2013-003.

73. The management commented that as we quote, “We could only partially comply. We will stop the practice, however, with regards to the refund, we will first seek comments from the Central Office.”

74. Furthermore, a letter of inquiry was sent to DOLE X Union President Ms. Criste Perfecto.

75. We recommended that the Management to stop the practice of granting monetary appreciation gifts and to demand refund of ₱365,000.00 given during CYs 2015-2017 from concerned retired employees.

Gender and Development (GAD)

76. In CY 2017, DOLE Region X spent a total of P5,400,186.64 for GAD programs and projects as follows:

ACTIVITY	AMOUNT
<u>Client-focused</u>	
Harness activities on Career Guidance Council (CGC) and Career Guidance Advocacy (CGA)	855,775.52
<input type="checkbox"/> Conduct of trainings/orientations for PESOs and NGCCAs (includes GAD related topics)	
<input type="checkbox"/> Conduct Training/Orientation on SPES, GIP beneficiaries and OJTs (incorporation of GAD topics) <input type="checkbox"/> Develop/ Implement IEC Materials on equal employment opportunities	510,361.75
<input type="checkbox"/> Conduct/monitor Job Fair Education and Manpower Development	540,198.50
	717,812.00

<input type="checkbox"/> Conduct of seminar on LEES, CLEEP, FWP, AIR/TIP articulating GAD topics and concerns <input type="checkbox"/> Conduct of LEES advocating women participation in decision making and gender-related concerns <input type="checkbox"/> Promote ASSIST-WELL and <input type="checkbox"/> Balik Pinay! Balik Hanapbuhay!	 427,821.52 1,513,550.00
Organization-Focused <input type="checkbox"/> Conduct of Capacity building <input type="checkbox"/> Conduct training/orientation to newly-hired personnel/staff (regular, GIP, SPES, OJT) <input type="checkbox"/> Attend DOLE-GAD National Strategic Planning and Budgeting; Year-end GAD Performance Assessment (Annual)	 496,227.35 304,440.00 34,000.00
Total	5,400,186.64

77. The audit noted that the areas of concern were substantially and successfully undertaken during the year.

Senior Citizens and Persons with Disability

78. For CY 2017, DOLE X reported an actual expenses amounting to P2,470,000.00 for programs and activities addressing issues and concerns relating to Senior Citizens and Persons with Disability (PWDs) pursuant to Section 31 of the General Provisions of GAA FY 2017 and Batas Pambansa Blg. 344 and R.A. 7277.

79. Section 31 of the General Provisions of the General Appropriation Act for FY 2017 provides that all agencies of the government shall formulate plans, programs and projects intended to address the concerns of senior citizens and persons with disability, insofar it relates to their mandated functions, and integrate the same in their regular activities. Moreover, all government infrastructures and facilities shall provide architectural or structural features, designs or facilities that will reasonably enhance the mobility, safety and welfare of persons with disability pursuant to Batas Pambansa Blg. 344 and R.A. 7277.

80. DOLE X programs and projects are as follows:

PROGRAMS	AMOUNT
<ul style="list-style-type: none"> ● Granted Rice Trading Project to 52 Senior Citizens in Layawan, Oroquieta City, Misamis Occidental 	500,000.00
	500,000.00

<ul style="list-style-type: none"> ● Granted Consumer Store Livelihood project to 45 Senior Citizens, District 6, Consolacion, Cagayan de Oro City 	250,000.00
<ul style="list-style-type: none"> ● Granted Integrated Duck Egg Production Livelihood Project to 78 Senior Citizens in Tambo, Iligan City 	200,000.00
<ul style="list-style-type: none"> ● Granted Hog Raising Livelihood Project to 25 Senior Citizens in Barangay Suarez, Iligan City 	500,000.00
<ul style="list-style-type: none"> ● Granted Rice Trading Livelihood Project to 52 Senior Citizens, Poblacion 1, Oroquieta City 	20,000.00
<ul style="list-style-type: none"> ● Conducted Capability Building and Program Orientation to 150 Senior Citizens in Consolacion, Cagayan de Oro City 	250,000.00
<ul style="list-style-type: none"> ● Granted Sako bag, rugs and curtain making Livelihood Project to 24 Persons with Disabilities of Mambajao, Camiguin 	100,000.00
<ul style="list-style-type: none"> ● Granted Consumer Store Livelihood Project to 23 Persons with Disabilities of Balingoan, Misamis Oriental 	150,000.00
<ul style="list-style-type: none"> ● Granted Stuff toys and bag making Livelihood Project to 27 Persons with Disabilities, Cagayan de Oro City 	
Total	2,470,000.00

81. The audit noted that the projects were substantially and successfully undertaken during the year.

Compliance with Tax Laws

82. DOLE-X was able to fully remit its obligations with the Bureau of Internal Revenue (BIR) a total of P7,287,889.88 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.		461,694.46	461,694.46	2/8/17		461,694.46	160982017621237
	2,935.52		2,935.52	2/9/17		2,935.52	160982017623541
	8,862.66		8,862.66	2/9/17		8,862.66	160982017623541
	27,399.80		27,399.80	1/10/17	24,988.77		171700018201845

Feb.		485,418.09	485,418.09	3/8/17		485,418.09	160982017637865
	19,733.40		19,733.40	3/8/17		19,733.40	160982017637903
	8,902.37		8,902.37	3/8/17		8,902.37	160982017637903
	4,987.28		4,987.28	2/9/16	2,410.71	0.00	21700018703832
March		535,418.09	535,458.81	4/10/17		535,458.81	160982017656790
	87,449.31		87,449.31	4/10/17		87,449.31	160982017656837
	129,056.95		129,056.95	4/10/17		129,056.95	160982017656731
	2,410.71		2,410.71				
April		523,477.86	523,477.86	5/5/17		523,477.86	160982016469064
	55,446.00		55,446.00	5/5/17		55,446.00	160982016469093
	25,690.84		25,690.84	5/5/17		25,690.84	160982016469111
	7,874.77		7,874.77	5/5/17	4,821.42		21700019854888
May		513,529.81	513,529.81	6/1/17		513,529.81	160982017678018
	19,800.09		19,800.09	6/10/17		19,800.09	160982017689959
	42,702.48		42,702.48	6/10/17		42,702.48	160982017689926
				5/5/17	10,451.56		171700019853839
June		521,876.63	521,876.63	7/10/17		521,876.63	160982017705366
	33,275.20		33,275.20	7/10/17		33,275.20	160982017705692
	65,894.95		65,894.95	7/10/17		65,894.95	160982017705652
	12,147.32		12,147.32				
July		517,748.19	517,748.19	8/10/17		517,748.19	160982017722350
	34,739.37		34,739.37	8/10/17		34,739.37	160982017722419
	11,062.25		11,062.25	8/10/17		11,062.25	160982017722442
	4,662.17		4,662.17				
Aug.		519,086.62	519,086.62	9/11/17		519,086.62	160982017739679
	38,759.22		38,759.22	9/11/17		38,759.22	160982017739695
	88,796.48		88,796.48	9/11/17		88,796.48	160982017739689
	9,642.84		9,642.84				
Sept.		516,897.34	516,897.34	10/11/17		516,897.34	160982017757050
	27,554.82		27,554.82	10/11/17		27,554.82	160982017757054
	82,614.28		82,614.28	10/11/17		82,614.28	160982017757053
	996.43		996.43				
Oct.		516,897.34	516,897.34	11/8/16		516,897.34	160982017769084
	93,331.51		93,331.51	11/9/16		93,331.51	160982017770951
	47,803.99		47,803.99	11/9/16		47,803.99	160982017770976
	3,482.14		3,482.14				
Nov.		388,874.73	388,874.73	12/7/17		388,874.73	160982017783938
	87,187.04		87,187.04	12/7/17		87,187.04	160982017784174
	21,290.41		21,290.41	12/9/17		21,290.41	160982017787808
	1,821.43		1,821.43				
Dec.		416,036.30	416,036.30	1/9/18		416,036.30	160982018800784
	190,020.41		190,020.41	1/9/18		190,020.41	160982018801001
	54,045.08		54,045.08	1/9/18		54,045.08	160982018801037
	18,514.28		18,514.28	2/5/18	51,266.61		171800023690110
Total	1,370,893.70	5,916,996.18	7,287,889.88			93,939.07	7,193,950.81

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

83. In compliance with RA 8291, for CY 2016, the DOLE-X has deducted and remitted to the GSIS the amount of **₱7,428,890.60** 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	245,805.84	327,741.10	7,894.78	581,441.72	581,441.72
February	246,140.75	327,581.16	7,694.76	581,416.67	584,416.67
March	276,709.38	349,138.58	8,294.78	634,142.74	634,142.74
April	264,364.76	373,259.66	8,299.81	646,194.23	646,194.23
May	262,353.69	349,804.92	8,099.81	620,258.42	620,258.42
June	262,779.10	350,372.14	7,999.81	621,151.05	621,151.05
July	262,383.08			262,779.10	
August	263,008.90	700,473.35	15,999.62	979,481.87	1,241,864.95
September	262,091.44	344,908.90	7,899.81	614,900.15	614,900.15
October	265,779.99	356,572.14	8,299.81	630,651.94	630,651.94
November	264,339.54	354,800.26	8,100.00	627,239.80	627,239.80
December	266,483.03	354,945.90	8,200.00	629,628.93	629,628.93
Total	3,142,509.50	4,189,598.11	96,782.99	7,428,890.60	7,428,890.60

Settlement of Suspensions, Disallowances and Charges

84. 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.

85. The Statement of Audit Suspensions, Disallowances, and Charges (SASDC) as of December 31, 2017 is as follows:

	Beginning Balance, As of January 1, 2017	This Period, January to December 31, 2017		Ending Balance, As of December 31, 2017
		Issued	Settlement	
Notice of Suspension	10,160,481.45	2,242,050.76	1,949,314.64	10,453,217.57
Notice of Disallowance	610,232.71	142,501.00	166,869.98	585,863.73
Notice of Charges	0.00	0.00	0.00	0.00
Total	10,770,714.16	2,384,551.76	2,116,184.62	11,039,081.30

**D. STATUS OF IMPLEMENTATION OF PRIOR YEARS
AUDIT RECOMMENDATIONS**

86. We made a follow-up on the action taken by the DOLE-ROX to implement prior years' recommendations covering CY 2011-2016 and noted the following:

No. of Recommendations	Fully Implemented	Partially Implemented	Not Implemented
20	9	9	2


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

E. ACKNOWLEDGEMENT

88. 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.

89. 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

The Supervising Auditor
DOLE Audit Group
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File