



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. V
Rawis, Legazpi City

March 10, 2015

MR. NATHANIEL V. LACAMBRA
Regional Director
Department of Labor and Employment- Regional Office No. V
Legazpi City

Dear **Director Lacambra**:

Management Letter on the Audit of the
Department of Labor and Employment- Regional Office No. V
For the Calendar Year 2014

1. Pursuant to Section 2, Article IX-D of the Constitution of the Philippines and Section 43 of the Government Auditing Code of the Philippines (PD No. 1445), we have audited the accounts and operations of the Department of Labor and Employment, Regional Office (DOLE-RO) No. V, Legazpi City for the period ended December 31, 2014. The audit was conducted in accordance with applicable legal and regulatory requirements, and generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted by the audit team led by Ms. Ma. Anelyn B. Cubias, State Auditor III, to (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations.
3. The Agency's financial conditions, results of operations and cash flows as of December 31, 2014 are shown in the attached audited financial statements (*Annexes A-E*).
4. Deficiencies observed in the course of the audit were earlier communicated through Audit Observations Memoranda (AOMs) and discussed with concerned DOLE-RO V officials and employees in an exit conference conducted on March 9, 2015. 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 2014.

A. INTRODUCTION

Agency's Mandate

5. The DOLE promotes gainful employment opportunities and optimizes the development and utilization of the country's manpower resources, advances the welfare of workers by providing just and humane conditions and terms of employment, and maintains industrial peace by promoting harmonious, equitable and stable employment relations.

6. The Department consists of the Office of the Secretary, 7 bureaus, 6 services, 12 attached agencies, 36 overseas offices and 16 regional offices, one of which is DOLE-RO V.

Personnel Complement

7. DOLE-RO V is presently headed by Mr. Nathaniel V. Lacambra, Regional Director and assisted by OIC - Assistant Regional Director (ARD) Atty. Karina P. Trayvilla. For CY 2014, there were 74 plantilla positions, of which 71 were filled up and three (3) remained vacant.

Financial Profile

8. The RO's financial condition, results of operations, and sources and uses of funds for CY 2014 are presented below:

Particulars	CY 2014
A. Financial Condition	
Assets	140,803,183.91
Liabilities	10,158,580.71
Accumulated Surplus	130,644,603.20
B. Sources of Funds	
SING	224,482,526.27
Subsidy from CO	346,512.40
Others	430,170.00
Total Income	225,259,208.67
C. Application of Funds	
Personal Services	38,299,363.48
MOOE	109,257,761.79
Total Expenses	147,557,125.27
Excess of Income over Expenses	77,702,083.40

Major Accomplishments

9. For CY 2014, the RO reported the following major accomplishments as compared to targets, among others:

Programs/Activities/Projects	Performance Indicators	Target	Actual	Percent (%)
Capacity Building Services	Livelihood Assistance and Employment			
	➤ DILEEP	8,031	7,682	96
	➤ GPBP-BUB	5,960	5,531	93
	➤ TUPAD	7,000	7,789	111
	➤ GIP	600	1,206	201
	➤ SPES	6,500	6,557	101
Employment Facilitation	➤ Referral & Placement	30,000	49,169	164
	➤ Labor Market Information	54,000	81,373	151
	➤ Job Fairs	50	65	130
	➤ PESO Institutionalization	5	5	100
Labor Force Welfare Services	➤ Reintegration Services	144	144	100
Workers and Employment Education Program	➤ Family Welfare Program	1,121	1,121	100
Social Protection and Welfare Services	➤ Child Labor Prevention and Elimination Program	400	400	100
Employment Regulation Services	➤ Labor Laws Compliance system	1,738	1,910	100
	➤ Technical Safety Inspection	250	320	128
Skills Registry System	➤ SRS implementation	30	30	100

B. SUMMARY OF RECOMMENDATIONS

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

- a. Remit the unexpended balances to the National Treasury to avoid exposure of said funds to possible misuse and/or misappropriation. Refrain from transferring unused cash balances to the Cash in Bank-LCCA.
- b. Require the Accountant to prepare the necessary adjustments for the unreleased checks to correct the balance of the Cash in Bank, as of year-end, for the fair presentation of the account in the financial statements pursuant to existing laws, rules and regulations.
- c. Direct all concerned officers and employees to immediately settle their unliquidated cash advances, otherwise, cause the withholding of salaries pursuant to COA Circular No. 97-002 dated February 10, 1997. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made; initiate the undertaking of the legal remedies provided for under COA Circular No. 2012-004; prepare an inspection report/monitoring schedule covering current and prior years' projects and formulate

alternative measures to effect immediate submission of the liquidation reports of the Proponents to determine if funds released were properly utilized in accordance with the provisions of the MOA; and strictly adhere to the provisions of COA Circular Nos. 94-013 and 2007-001 on the liquidation of funds released to LGUS and NGOs/POs and enforce the terms and conditions provided for in the MOA.

- d. Comply with the provisions of the revised IRR of RA 9184. A Supplemental APP must be prepared and approved by the Head of the Procuring Entity prior to the procurement of any requirement that are immediately needed by the concerned office not included in the APP
- e. Be cautious in the exact date of car registration expiry to avoid unnecessary expenses of penalty charges/fines for late/expired registration.
- f. Strictly observe the pertinent laws, rules and regulations on documentary requirements for government transactions. Require concerned RO personnel to submit to COA the lacking documents.
- g. Require the Accountant to expedite the submission of the subject Monthly RCI and supporting DVs to the COA Auditor and henceforth, strictly adhere to the provisions of the RRSA on the submission of the above-said reports.
- h. Require the Accountant to coordinate with their Central Office for seminar schedules to be abreast on the adoption of the PPSASs and to comply with the mandate per COA Resolution No. 2014-003.
- i. Continue to focus on its good performance to attain its objective of providing employment to qualified beneficiaries in order to improve their quality of life and correspondingly alleviate poverty incidence specifically in the region.
- j. Conduct further investigation and submit a report on the findings noted by the audit team on the implementation of the goat dispersal project particularly those found out to have not actually received the goats intended for them, and if warranted, take appropriate actions against the persons responsible for the transactions; and conduct regular monitoring of livelihood projects funded by the RO to ensure that the projects were efficiently and effectively implemented
- k. Instruct the concerned PFO to inform the TSSD ahead of time should there be any changes in the master list of qualified beneficiaries to ensure that project fund utilized for the payment of the corresponding insurance will not be put to waste; and ensure that replacements are required insurance coverage before they are contracted to work.

C. DETAILED OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL AND COMPLIANCE

① Unused cash balances as of December 31, 2014 totaling to **₱2,781,095.60**, were deposited/transferred to the Cash in Bank-LCCA contrary to COA-DBM-DOF Joint Circular No. 1-97 dated January 2, 1997.

11. COA-DBM-DOF Joint Circular No. 1-97 dated January 2, 1997 directs all agencies of the government to return any unexpended balance of the trust accounts held in their possession to the trustor or donor or to remit with the National Treasury.

12. Review of the schedule of the agency's Cash in Bank-LCCA revealed that the account balance of **₱4,216,536.64**, as of December 31, 2014 included, among others, unused cash balances totaling **₱2,781,095.60** representing refunds from various Local Government Units (LGUs) for unutilized livelihood project funds granted to them by DOLE RO V and job/service contractors' registration fees that were deposited/transferred to the above-said account. Details are as follows:

Particulars	Amount
LGU- Magallanes	₱ 4,206.80
LGU- Iriga City	4,604.75
LGU- Mercedes	59,755.45
LGU- San Pascual	34,780.00
LGU- Donsol	33,042.60
LGU- Libon	132,000.00
LGU- Garchitorena	134,300.00
Refund of OWWA Fund	457,800.00
Job/service contractors fee	1,920,606.00
Total	₱ 2,781,095.60

13. **We recommended that Management remit the unexpended balances to the National Treasury to avoid exposure of said funds to possible misuse and/or misappropriation. Refrain from transferring unused cash balances to the Cash in Bank-LCCA.**

14. Management had already remitted to the Bureau of Treasury the amount of **₱2,781,095.60** per OR No. 46147 dated February 18, 2015. It assured the audit team that it will refrain from transferring unused cash balances to Cash in Bank-LCCA.

2
Unreleased Checks totaling ₱22,375,882.32 were not adjusted as of December 31, 2014, thereby affecting the fair presentation of the account in the financial statements.

15. Unreleased checks are checks drawn and recorded but are not actually issued or delivered to payees as of balance sheet date.

16. Section 111 of PD No. 1445 provides that the accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government and the highest standards of honesty, objectivity and consistency shall be observed in the keeping of the accounts to safeguard against inaccurate or misleading information.

17. Furthermore, Section 112 of the same law states that each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations.

18. Review of the list of unreleased checks provided to the audit team by the Cashier revealed that checks issued for the months of August to December, 2014 remained unreleased as of December 31, 2014, as presented below:

Date	Check No.	Payee	Amount
8/28/2014	2531409	LGU Lupi	₱ 351,000.00
9/24/2014	2531616	LGU Pandan	166,250.00
9/30/2014	2531709	LGU Panganiban	1,200,000.00
9/30/2014	2531710	LGU San Andres	1,500,000.00
9/30/2014	2531713	LGU Mobo	200,000.00
9/30/2014	2531724	LGU Ragay, Camarines Sur	4,850,000.00
9/30/2014	2531797	Mary Jane Rolda	250,000.00
10/8/2014	2531804	LGU Matnog	1,296,000.00
11/7/2014	2531823	Elton Press	2,953.12
11/10/2014	2531927	Lucky Educational Supply	3,984.08
11/14/2014	2531936	East Pacific International Trading	647,155.16
11/28/2014	2531964	Lucky Educational Supply	2,244.23
11/28/2014	2532035	LGU Canaman	183,054.48
11/28/2014	2532042	San Antonio Barangay Council Tabaco	306.00
11/28/2014	2532043	LGU Canaman	168,546.25
12/9/2014	2532044	LGU Canaman	439,457.00
12/22/2014	2532091	Layag Restaurant & Grill	9,975.00
12/23/2014	2532149	Car Access Auto Supply	1,514.28
12/23/2014	2532196	Gina B. Armario	140,000.00
12/23/2014	2532208	Barangay Calateo, Juban Sorsogon	494,900.00
12/23/2014	2532209	Barangay Guruyan, Juban Sorsogon	494,900.00
12/23/2014	2532210	Barangay Buraburan, Juban Sorsogon	494,900.00
12/23/2014	2532211	Barangay Biriran, Juban Sorsogon	494,900.00
12/23/2014	2532212	Barangay Lajong, Juban Sorsogon	494,900.00
12/23/2014	2532213	Barangay Tinago, Juban Sorsogon	494,900.00
12/23/2014	2532214	Barangay Catanusan, Juban	494,900.00

Sorsogon			
12/23/2014	2532219	Exequiel Ronie Guzman	15,000.00
12/23/2014	2532178	LGU Juban	300,000.00
12/23/2014	2532199	The Concourse	42,656.25
12/23/2014	2532226	JRB Calibration and Gen. Mdse.	53,567.85
12/23/2014	2532229	Oliver Tire Sales	31,042.85
12/29/2014	2532249	LGU Calabanga	1,742,500.00
12/29/2014	2532250	LGU Matnog	1,800,000.00
12/29/2014	2532251	LGU Baleno	115,000.00
12/29/2014	2532252	LGU Donsol	2,000,000.00
12/29/2014	2532254	East Pacific Industrial Trading	647,155.16
12/29/2014	2532265	East Pacific Industrial Trading	726,145.17
12/29/2014	2532287	Wynham Trading	3,690.83
12/29/2014	2532290	Car Access Auto Supply	3,463.93
12/29/2014	2532294	Denver's Computer Shoppe, Inc.	18,920.68
Total			₱ 22,375,882.32

19. For fair presentation of the financial statements, unreleased checks are not deducted from the cash balance until they are released/delivered to payees, thus, these are reverted to the cash balance. At the beginning of the succeeding year, the journal entry restoring to cash the unreleased check is reversed.

20. **We recommended that the Accountant prepare the necessary adjustments for the unreleased checks to correct the balance of the Cash in Bank, as of year-end, for the fair presentation of the account in the financial statements pursuant to existing laws, rules and regulations.**

21. Management commented that the accounting unit can no longer make adjusting entries because the accounting books for CY 2014 had already been closed and Financial Reports for the year ended December 31, 2014 were already submitted. However, the Accountant assured the audit team that adjustments will be prepared should there be unreleased checks for CY 2015. Accordingly, most of the checks have been released to the payees after compliance with the required supporting documents.

③ **Of the ₱102,250,461.00 unliquidated cash advances to officers and employees and fund transfers to various LGUs and NGOs/POs, as of December 31, 2014, ₱37,002,433.57 or 36.19 percent remained outstanding for more than 6 months to over 3 years due to the failure of management to strictly enforce liquidation contrary to Section 89 of PD 1445 and COA Circular Nos. 97-002 dated February 10, 2007; 94-013 dated December 13, 1994; and 2007-001 dated October 25, 2007.**

22. Section 89 of PD 1445 provides that no cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made

23. COA Circular No. 97-002 dated February 10, 2007 on the grant, utilization and liquidation of cash advances states as follows:

“5.1.3 For official travel – xxx cash advance shall be liquidated within thirty (30) days after return to his permanent official station in the case of local travel, as provided for in EO 248 and COA Circular No. 96-004.

5.8 All cash advances shall be fully liquidated at the end of the year. Except for petty cash fund, the Accountable Officer shall refund any unexpended balance to the Cashier/Collecting Officer who will issue the necessary official receipt.”

24. COA Circular No. 94-013 dated December 31, 1994 provides the rules and regulations in the grant, utilization, and liquidation of funds transferred to implementing agencies to ensure that 1) the transfer is properly taken up in the books of both agencies; 2) the transferred funds are only for the intended purpose; and 3) the proper accounting and reporting is made of the utilization of funds. The pertinent provisions of the circular are quoted below for ready reference:

- *4.3 The fund to be transferred or sub-allotted to the Implementing Agency (IA) shall be (a) in an amount sufficient for three months operation subject to replenishment upon submission of the reports of disbursements by the IA, or (b) the total project cost, as may be determined by the Heads of the two agencies in either case.*
- *4.6 Within ten (10) days after the end of each month/end of the agreed period for the Project, the IA shall submit the Report of Checks Issued (RCI) and the Report of Disbursement (RD) to report the utilization of the funds. Only actual project expenses shall be reported. The reports shall be approved by the Head of the Implementing Agency.*

25. Similarly, Section 5.4 of COA Circular No. 2007-001 requires that within sixty (60) days after the completion on the project, the National Government Organization/People's Organization (NGO/PO) shall submit the final Fund Utilization Report certified by its Accountant and approved by its President/Chairman to the GO authorized representative, list of beneficiaries with their acceptance/acknowledgement of the project funds/goods/services received. The validity of these documents shall be verified by the internal auditor or equivalent official of the GO and shall be the basis of the GO in recording the fund utilization/expenses in its book of accounts.

26. In line with the DOLE Integrated Livelihood Program which was intended to assist workers in the informal sector in making their livelihood undertakings grow into profitable and sustainable business, DOLE-RO V entered into a Memorandum of Agreement (MOA) represented by the Regional Director referred to as the DOLE with some qualified Local

Government Units (LGUs) and NGOs/POs referred to as the proponents. The MOA provides, among others, that:

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

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

27. Moreover, the parties to the MOA agree to bind themselves, among others, to the following terms and conditions:

The DOLE/grantor shall:

- a. Regularly monitor project implementation by the proponent and inspect/verify pertinent records and reports;
- b. Demand the submission of project/financial liquidation report from the proponent including the return of any disallowed disbursement after financial audit by the DOLE and issue Official Receipt (OR) corresponding to the amount returned by the grantee;
- c. Institute appropriate action/remedy against the proponent for any violation of the provision of the MOA or for misuse of transferred equipment/tools, the litigation cost of which shall be borne by the proponent;

The Proponent/grantee shall:

- a. Return any amount not utilized and refund any disallowances to DOLE/grantor immediately upon project completion;
- b. Keep and maintain financial and accounting records pertinent to the project;
- c. Submit required project financial/liquidation report within 60 days upon completion of the project including financial and physical status report in the prescribed forms to the DOLE together with the required supporting documents.

28. As of December 31, 2014, the reported balances of Advances to Officers and Employees, Due from LGUs and Due from NGOs/POs accounts amounted to ₱11,583,995.66 and ₱87,958,471.80 and ₱2,707,993.54, respectively, or a total of ₱102,250,461.00. Aging of the accounts disclosed that of the total balances as at year-end, ₱37,002,433.57 or 36.19 percent remained outstanding for six (6) months to more than three (3) years, summarized as follows:

Account	Balance 12/31/14 (a)	Aging of unliquidated Cash Advances/Fund Transfers					Total (g=c+d+e+f)	%
		Below 6 months (b)	6 months to 1 year (c)	1 year to less than 2 years (d)	2 years to less than 3 years (e)	3 years and over (f)		
Advances to Officers and Employees	₱11,583,995.66	₱11,272,146.91	₱147,598.75	₱136,250.00		₱28,000.00	₱311,848.75	2.69
Due from	₱87,958,471.80	₱53,945,880.52	₱20,070,229.17	₱11,814,675.00		₱2,127,687.11	₱34,012,591.28	38.67

LGUs								
Due From NGOs/POs	2,707,993.54	30,000.00				2,677,993.54	2,677,993.54	98.89
Total	₱102,250,461.00	₱65,248,027.43	₱20,217,827.92	₱11,950,925.00		₱4,833,680.65	₱37,002,433.57	36.19
Percent (%)	100	63.81	19.77	11.69	0.00	4.73	36.19	

29. The status of liquidation of funds transferred to LGUs/NGOs/POs in prior years and during CY 2014, as of December 31, 2014 is presented below:

Particulars	Status of Liquidation of Cash Advances to Officers and Employees/Fund Transfer			
	Advances to Officer and Employees	Due from LGUs	Due From NGOs/POs	Total
Cash Advances/Fund Transfers				
PY	₱ 414,730.87	₱ 23,122,937.00	₱5,200,423.50	₱28,738,091.37
CY	48,310,600.97	79,944,379.19	115,000.00	123,369,980.16
Total	48,725,331.84	98,067,316.19	5,315,423.50	152,108,071.53
Liquidation/Settlement				
PY	250,480.87	9,180,574.89	2,522,429.96	11,953,485.72
CY	36,890,855.31	928,269.50	85,000.00	37,904,124.81
Total	37,141,336.18	10,108,844.39	2,607,429.96	49,857,610.53
Unliquidated Cash Advances/Fund Transfers				
PY	164,250.00	13,942,362.11	2,677,993.54	16,784,605.65
CY	11,419,745.66	74,016,109.69	30,000.00	85,465,855.35
Total	₱11,583,995.66	₱87,958,471.80	₱2,707,993.54	₱102,250,461.00
Percentage of Liquidation				
PY	60	40	49	41
CY	76	1	74	30

30. The above table shows that there was a remarkable improvement in the liquidation of cash advances granted to DOLE officers and employees in the prior and current years of 60% and 76%, respectively. It was noted, however, that additional cash advances were granted even if previous cash advances were not yet settled. The liquidation of fund transfers to NGOs/POs in the current year of 74% is likewise remarkable in contrast with the one percent (1%) liquidation rate of fund transfers to LGUs.

31. Had there been strict enforcement on the submission of the liquidation reports, unliquidated fund transfers/releases to LGUS/NGOs/POs and cash advances granted to officers and employees could have been minimized, if not avoided.

32. **We recommended that Management implement the following:**

- a. **Direct all concerned officers and employees to immediately settle their unliquidated cash advances, otherwise, cause the withholding of salaries pursuant to COA Circular No. 97-002 dated February 10, 1997. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made;**
- b. **Initiate the undertaking of the legal remedies provided for under COA Circular No. 2012-004;**

- c. **Prepare an inspection report/monitoring schedule covering current and prior years' projects and formulate alternative measures to effect immediate submission of the liquidation reports of the Proponents to determine if funds released were properly utilized in accordance with the provisions of the MOA; and**
- d. **Strictly adhere to the provisions of COA Circular Nos. 94-013 and 2007-001 on the liquidation of funds released to LGUS and NGOs/POs and enforce the terms and conditions provided for in the MOA.**

33. Management commented that the Office had been strict in the enforcement of the “no liquidation of prior cash advance, no additional cash advance” policy. A memorandum to the IMSD was issued last July 11, 2014 directing the division not to process request for cash advances of those with prior unliquidated cash advances. They assured the audit team that they will adhere to the audit recommendation. Also, management informed the audit team that they have been very keen on implementing strategies to effect compliance with the submission of liquidation report on grants downloaded to LGUs/NGOs/POs. Aside from proper coordination with and issuance of demand letters to the program partners, the Office had tasked the Provincial Field Offices to submit action plan, progress report and status of liquidation report. As of March 2015, the remaining outstanding cash advances to Officers and Employees and fund transfers to various LGUs and NGOs/POs which are outstanding for more than 6 months to over 3 years is down to ₱35,638,192.37 which is 34.85% of the aggregate amount of ₱102,250,461.00.

④ **Procurement of equipment undertaken by the agency was not in accordance with its approved Annual Procurement Plan (APP) for CY 2014 contrary to the revised Implementing Rules and Regulations (IRR) of Republic Act No. 9184.**

34. Section 7.2, Rule II of the revised IRR of RA 9184 states that: “No procurement shall be undertaken unless it is in accordance with the approved Annual Procurement Plan (APP) of the procuring entity. The Annual Procurement Plan shall bear the approval of the Head of the Procuring Entity or second-ranking official designated by the Head of the Procuring Entity to act on his behalf, and must be consistent with its duly approved yearly budget.”

35. Evaluation of the agency’s procurement transactions and review of the Purchase Orders (POs) submitted for CY 2014 revealed that agency purchase of equipment totaling ₱180,888.04 was undertaken despite its non-inclusion in the agency approved APP for CY 2014. The breakdown of which is presented in the table below:

Purchase Order		Supplier	Particulars	Amount
Number	Date			
14-03-017	3/17/2014	Octagon Superstore	Epson Printer 1 unit L350 & 1unit L210	16,174.46
14-05-049	5/30/2014	Family Audio Video Center	1 set desktop computer w/ printer	32,082.04
14-10-120	10/22/2014	Denver's Computer Shoppe	1 unit computer printer Epson L350	9,275.00
14-11-127	11/6/2014	Denver's Computer Shoppe	1 unit Bottomless colored printer (Epson) L-350	9,306.24
14-12-132	12/01/2014	Liberty Commercial	6 pcs ceiling Fan Union 16" (Sky blue)	

		Center	5 pcs wall fan union 16" (sky blue)	12,454.05
14-12-136e	12/08/2014	Family Audio Video Center	7 unit Epson L210 computer printer	52,860.87
14-12-145	12/29/2014	Family Audio Video Center	1 unit printer Epson L210 (Ink bottomless)	7,551.55
14-12-146	12/29/2014	Family Audio Video Center	1 unit printer Epson L210 (Ink bottomless)	7,551.55
14-12-147	12/29/2014	Family Audio Video Center	1 unit printer Epson L210 (Ink bottomless)	7,551.55
14-12-148	12/29/2014	Family Audio Video Center	1 unit printer Epson L210 (Ink bottomless)	7,551.55
14-12-149	12/29/2014	Family Audio Video Center	1 unit printer Epson L350 (Ink bottomless)	9,264.59
14-12-150	12/29/2014	Family Audio Video Center	1 unit printer Epson L350 (Ink bottomless)	9,264.59
TOTAL				180,888.04

36. It shall be noted that all procurement of the procuring entity should be meticulously and judiciously planned. All procurement shall be in accordance with the approved APP. However, should there be additional procurement requirements for the current year and change in the procurement mode, there is a need to prepare a Supplemental APP, as the case maybe.

37. Section 7.4, Rule II of the above-said IRR requires that the updating of the individual Project Procurement Management Plan (PPMP) and the consolidated APP for each procuring entity shall be undertaken every six (6) months or as often as may be required by the Head of the Procuring Entity.

38. **We recommended that management comply with the provisions of the revised IRR of RA 9184. A Supplemental APP must be prepared and approved by the Head of the Procuring Entity prior to the procurement of any requirement that are immediately needed by the concerned office not included in the APP.**

39. Management agreed to comply with the provisions of the revised IRR of RA 9184 on the preparation of a Supplemental APP prior to additional procurement.

① **The Agency's failure to renew the registration of its two (2) motor vehicles for CY 2014 would entail unnecessary expenses of penalty charges/fines for late/expired registration, thus, contrary to COA Circular No. 2012-003.**

40. Unnecessary expenditures, as defined under Item 4.1 of COA Circular No. 2012-003 dated October 29, 2012, pertain to expenditures which could not pass the prudence or the diligence of a good father of a family, thereby, denoting non-responsiveness to the exigencies of the service. This also include incurrence of expenditures not dictated by the demands of good government and an expenditure that is not essential or that which can be dispensed with without loss or damage to property.

41. Section 5, Article 1, Chapter II of RA 4136 or the Land Transportation and Traffic Code states, among others, the following:

- a. No motor vehicle shall be used or operated on or upon any public highway of the Philippines unless the same is properly registered for the current year in accordance with the provisions of this Act.
- b. Any registration of motor vehicles not renewed on or before the date fixed for different classification, as provided hereunder shall become delinquent and invalid.

42. On top of the fines/penalties imposed by the Land Transportation Office (LTO) for late/expired car registration, the Department of Transportation and Communications issued Joint Administrative Order dated June 2, 2014 on the revised schedule of fines and penalties for violations of laws, rules and regulations governing land transportation. Among those included are violations in connection with motor vehicle registration/renewal/operation. This violation includes driving with an expired registration for a penalty of ₱10,000.00.

43. Review of the Agency's report on the inventory of motor vehicles for CY 2014 and verification from the LTO revealed that the car registration of two (2) service motor vehicles were not renewed during its expiry date in 2014, as shown below:

Brand/Make	Plate No.	Date of last Registration
Toyota Tamaraw FX (Red)	SET 604	June 3, 2014
Multicab Suzuki AUV Deluxe	SHR 156	June 14, 2014

44. It shall be noted that the renewal of car registration is an annual undertaking by motor vehicle owners. This enables the LTO to distinguish which cars running in the streets have updated and renewed car registration. The non-renewal of car registration will not only cause the imposition of penalties/fines but may also cause possible apprehension by LTO enforcers for driving with expired car registration.

45. Inquiry with the Property Officer revealed that she repeatedly reminded the personnel concerned, where the subject motor vehicles are assigned, to facilitate the application for the renewal of the car registration. It was informed, however, that subject motor vehicles were insured with GSIS.

46. We recommended that Management be cautious in the exact date of car registration expiry to avoid unnecessary expenses of penalty charges/fines for late/expired registration.

47. The subject motor vehicles were already registered with the LTO immediately after the issuance of the AOM. Official Receipts dated January 29, 2015 and February 4, 2015 were submitted to the audit team. Penalty, however, totaling ₱2,000.00 was paid.

48. The audit team reiterated the audit recommendation to avoid disallowances in the future on the same nature of transaction.

Payments amounting to ₱50,088,858.79 were made despite lack of documentary requirements contrary to Section 4(6) of PD 1445, Section 168 (c), Volume 1 of the GAAM and COA Circular No. 2012-001 dated June 14, 2012, thus, the propriety/regularity of the transactions cannot be fully established.

49. Section 4 (6) of PD 1445 requires that claims against government funds shall be supported with complete documentation. On the other hand, Section 168 (c), Volume 1 of the GAAM specifically provides that the purpose of submitting sufficient and relevant documents is to establish the validity of the claim.

50. Moreover, to guide agency officials and employees, COA Circular No. 2012-001 dated June 14, 2012 prescribes the documentary requirements for common government transactions.

51. Our review and evaluation of the RO's disbursements for the period January to August, 2014 for MDS and January to December 2014 for SPES, however, disclosed that expenses totaling ₱50,088,858.79 were not fully supported with the necessary documents, as summarized below with details shown in *Annex F*:

Nature of Transactions	Amount	Deficiencies/Lacking Documents
Implementation of Government Internship Program (GIP)	₱ 544,058.61 122,274.14	<ul style="list-style-type: none"> • Accomplishment Reports • Documentary Requirements as provided under DOLE Administrative Order No. 119
Grant of livelihood projects	20,241,003.35 11,033,149.16 1,274,718.26	<ul style="list-style-type: none"> • Acknowledgement Receipt • Memorandum of Agreement (MOA)/Memorandum of Understanding (MOU) • Official Receipt
Implementation of the Special Program for the Employment of Students (SPES)	7,929,317.60	<ul style="list-style-type: none"> • Registration forms showing schedule of classes • Proof of enrollment • Official Receipts (ORs)
Purchases of supplies and materials for livelihood projects	8,936,409.99	Inspection and Acceptance Report (IAR)
Repair and Maintenance of Equipment/Vehicles	7,927.68	Waste Material Report (WMR)
Total	₱50,088,858.79	

52. In the absence of the required documents to support disbursements, the propriety/regularity of the transactions could not be fully established.

53. **We recommended that Management strictly observe the pertinent laws, rules and regulations on documentary requirements for government transactions. Require concerned RO personnel to submit to COA the lacking documents.**

54. The lacking documents for SPES transactions have been submitted to the audit team on March 4, 2015. For the other transactions, however, management assigned two (2) regional staff to prepare/locate/secure the lacking documentary requirements for immediate submission to the audit team. Effective CY 2015, the RO informed the Provincial Field Officers, Employment Focals and Livelihood Focal Persons that it will no longer entertain vouchers or liquidation reports with incomplete attachments. Accordingly, management committed to adhere to the audit recommendation.

② **Reports of Checks Issued, paid disbursement vouchers and supporting documents for CY 2014 were either submitted late or not submitted at all, contrary to the Revised Rules and Regulations on the Settlement of Accounts (RRSA), hence, prevented the timely review and audit of the transactions.**

55. Sections 7.1 and 7.2 of the Revised Rules and Regulation 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 below:

“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 of disallowances and charges is made within the prescribed period; and (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.

X xx.

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 representative when needed;*

X xx." (underscore ours)

56. Review of our records showed that Report of Checks Issued (RCIs), paid disbursement vouchers (DVs) and supporting documents for CY 2014 were either submitted late or not submitted at all to the COA Auditor. The delays in the submission of the subject paid vouchers and supporting documents ranged from 151 days to 230 days and 33 to 259 days for MDS and SPES, respectively. The unsubmitted documents for MDS covered the months of September to December 2014. Details are presented in the table below:

MONTH	DATE SUBMITTED		DELAYS	
	MDS	SPES	MDS	SPES
January	August 8, 2014	October 27, 2014	179 days	259 days
February	August 8, 2014	October 27, 2014	151 days	231 days
March	November 26, 2014	October 27, 2014	230 days	200 days
April	November 26, 2014	October 27, 2014	199 days	169 days
May	November 26, 2014	No transactions	169 days	-
June	February 17, 2015	January 12, 2015	222 days	186 days
July	February 17, 2015	January 12, 2015	191 days	155 days
August	February 17, 2015	January 12, 2015	161 days	124 days
September	Not yet submitted	January 12, 2015		92 days
October	Not yet submitted	January 12, 2015		63 days
November	Not yet submitted	January 12, 2015		33 days
December	Not yet submitted	January 12, 2015		-

57. The delay in the submission of the RCIs, paid DVs and supporting documents was a subject of an AOM in CY 2013.

58. It shall be noted that the delayed/non submission of RCIs, paid DVs and supporting documents is not only contrary to the provision of the aforementioned existing government rules and regulations but also prevented the audit team from its timely review and evaluation of the transactions.

59. **We recommended that Management require the Accountant to expedite the submission of the subject Monthly RCI and supporting DVs to the COA Auditor and henceforth, strictly adhere to the provisions of the RRSA on the submission of the above-said reports.**

60. Management committed to adhere to the audit recommendations to strictly adhere to the provisions of the RRSA on the submission of subject reports. Two regional staffs (one from

TSSD and one from IMSD) were assigned and tasked to locate/secure the lacking documents that should be attached to the DVs for the months of September to December 2014 in order to submit immediately to the audit team.

The Agency has not yet fully adopted the Philippine Public Sector Accounting Standards (PPSAS) contrary to COA Resolution No. 2014-003 dated January 24, 2014

61. Paragraph 3 of COA Resolution No. 2014-003 states that there is a need to harmonize the accounting standards under COA Circular No. 86-263 dated October 16, 1986 and other issuances of the Commission, to the extent possible, with the current public sector accounting standards.

62. The PPSAS, as aligned with the prevailing international standards, provide quality accounting standards thereby enhancing the quality and uniformity in financial reporting by Philippine public sector entities, and ensuring accountability, transparency and comparability of financial information with other public sector entities around the world.

63. The PPSAS shall apply to all National Government Agencies (NGAs), Local Government Units (LGUs) and Government-Owned and/or Controlled Corporations (GOCCs) not considered as Government business enterprises (GBEs).

64. As enumerated in Annex A of the Resolution, the following PPSASs are to be adopted effective January 1, 2014:

Volume 1

PPSAS 1 – Presentation of Financial Statements
PPSAS 2 – Cash Flow Statements
PPSAS 3 – Accounting Policies, Changes in Accounting Estimates and Errors
PPSAS 4 – The Effects of Changes in Foreign Exchange Rates
PPSAS 5 – Borrowing Costs
PPSAS 6 – Consolidated and Separate Statements
PPSAS 8 – Interest in Joint Ventures
PPSAS 9 – Revenue from Exchange Transactions
PPSAS 12 – Inventories
PPSAS 13 – Leases

Volume 2

PPSAS 14 – Events after the Reporting Date
PPSAS 16 – Investment Property
PPSAS 17 – Property, Plant and Equipment
PPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets
PPSAS 20 – Related Party Disclosures
PPSAS 21 – Impairment of Non-Cash Generating Assets
PPSAS 23 – Revenue from Non-Exchange Transactions
PPSAS 24 – Presentation of Budget Information in Financial Statements
PPSAS 26 – Impairment of Cash Generating Assets
PPSAS 27 – Agriculture

Volume 3

PPSAS 28 – Financial Instruments: Presentation

PPSAS 29 – Financial Instruments: Recognition and Measurements

PPSAS 30 – Financial Instruments: Disclosures

PPSAS 31 – Intangible Assets

PPSAS 32 – Service Concessions Arrangements: Grantor

65. It was learned that the agency Chief, Internal Management Support Division who was also designated as the Accountant is not yet aware of the adoption of the PPSASs.

66. **We recommended that Management require the Accountant-designate to coordinate with their Central Office for seminar schedules to be abreast on the adoption of the PPSASs and to comply with the mandate per COA Resolution No. 2014-003.**

67. Management will inquire from COA Regional Office No. V the schedule for the PPSAS training. They will likewise coordinate with their Central Office for seminar schedules on PPSAS.

On the basis of the Agency's accomplishment report for CY 2014, DOLE RO V posted a remarkable physical accomplishments vis-à-vis targets relative to its Major Final Outputs (MFOs) thereby attaining its objective to alleviate poverty incidence in the region.

68. With the various programs and projects that the Department of Labor and Employment (DOLE) implements, these are intended to assist and provide services to the Filipino workforce which will contribute to the improvement of quality of life in terms of increasing employment, whether through formal or informal sector, thereby reducing poverty incidence.

69. The DOLE RO V shall be guided by the following laws, implementing rules and regulations, Memorandum and Department Orders in the implementation of its various programs/projects, to wit:

- Department Order No. 137-14, series of 2014, Guidelines in the implementation of the Department of Labor and Employment Integrated Livelihood and Emergency Employment Program (DILEEP);
- Republic Act (RA) 7323 as amended by RA 9547, an Act strengthening and expanding the coverage of the Special Program for Employment of Students (SPES) with the objective of helping poor but deserving students pursue their education by providing income or augment their income;
- Implementing Rules and Regulations (IRR) of Republic Act (RA) 9547 under DOLE-Dep-Ed-CHED-DSWD-DBM-DOF Joint Memorandum Circular No. 2010-001 dated February 11, 2010; and