

Republic of the Philippines  
**DEPARTMENT OF LABOR AND EMPLOYMENT**  
 Regional Office No. V  
 Legazpi City

**COA PRIOR YEARS' AUDIT REPORTS**  
 For the Quarter Ending March 31, 2014

Observations	Recommendations	Comments/Actions Taken
<p>1. The accuracy and existence of the balances of "Cash in Bank – Local Currency Current Account" in the amount of P1,970,800.88 as of December 31, 2011 could not be readily ascertained due to the non-preparation/submission of monthly Bank Reconciliation Statements as required under Section 74 of P.D.1445 and COA Circular No. 96-011 dated October 2, 1996, thus reconciling items cannot be identified and recorded to its appropriate and respective accounts for the fair presentation of the cash account in the financial statements.</p>	<p>We reiterated our prior years' recommendation that the accounting unit expedite the preparation and updating of the monthly Bank Reconciliation Statements to ascertain the correctness and existence of Cash in Bank and effect the recording of and adjustments of the reconciling items to its appropriate and respective account for the fair presentation of the account in the financial statements.</p> <p>Likewise, for continuous failure to prepare and submit BRS, we recommended to automatically cause the suspension of payment of the salary of the Accountant and other concerned employees of the agency, until they have complied with the prompt submission of the BRS.</p>	<p>The following Bank Reconciliation Statements were submitted to COA:</p> <p style="padding-left: 40px;">For AEP – up to December 2013          SPES - up to December 2013          Trust Fund - up to December 2013</p>
<p>2. Loans Receivables amounting to P8,416,869.52 as of December 31,</p>	<p>We reiterated that management exert best effort to collect the long outstanding loans</p>	<p>A request for the write-off of the account "Loans Receivable" was</p>

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<p>2011, which had a zero percent collection rate cast doubt on the reliability of the account balance and full recovery of the value of the loans having been non-moving for several years.</p>	<p>receivables by sending out demand letters thru registered mail with return card. If collection is no longer possible, management should request from COA for authority to write off the balances of said account duly supported with all the necessary documents as required under COA Circular No. 97-001.</p>	<p>already forwarded to the Central Office. With this, the Honorable DOLE Secretary Rosalinda Dimapilis-Baldoz sent a letter-request to Director Fortunata M. Rubico of Office of the Commission Secretariat, COA for the write-off of the said account.</p>
<p>3. Inadequate monitoring in the implementation as well as the submission of the liquidation reports by the NGOs/POs and LGUs after project completion resulted in long outstanding unliquidated funds transfer of P3,809,953.96 and P6,157,559.08, respectively or totaling P9,967,513.04, contrary to Sections 5.3 and 5.4 of COA Circular No. 2007-001 and Section 4.6 of COA Circular No. 94-013, thereby exposing the government funds to risk of possible loss, misuse and/or misappropriation.</p>	<p>We recommended that management send out demand letters to the NGAs/ LGUs and NGOs/POs with past due unliquidated fund transfer and require immediate liquidation. Likewise, management should strengthen the operation of preventive and monitoring controls to ensure timely submission of liquidation documents and ensure that funds released for the implementation of the projects are duly accounted for.</p>	<p>Aside from the strategies previously implemented by this Office, at present, we require the submission of action plan from our Provincial Field Offices to facilitate the liquidation of previously assisted LGUs/NGOs/POs.</p> <p>As of March 31, 2014, the balance of Due from LGUs increased to P33,810,606.37 due to BUB releases. The balance of Due from NGOs/POs is only P2,960,047.11.</p>
<p>4. Cash advances totaling P664,912.23 that have been outstanding for more than thirty days and above remained unliquidated as of December 31, 2011, contrary to Section 89 of PD 1445 and COA Circular No. 97-002 dated February</p>	<p>We recommended the immediate liquidation of outstanding cash advances. Stop the grant of subsequent cash advance unless the previous one has been accounted for and liquidated. Institute appropriate sanctions, if warranted, for long outstanding accounts. Require also strict adherence with the</p>	<p>Various Memorandums were issued about liquidation of cash advances. All of the employees are already aware of the COA circular. Granting of cash advance to employees with unliquidated cash advances was already discouraged.</p>

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10, 1997, thus exposing the government funds to risk of possible loss, misuse and/or misappropriation.	provisions of Section 5 of COA Circular No. 97-002 dated February 10, 1997 regarding the timely settlement and liquidation of cash advances.	
5. Incomplete inventory taking and lapses in the application of internal control measures in the recording, issuance and safeguarding of Property Plant and Equipment (PPE) that were not in place as required under the Property and Supply Management System and Sections 490 and 491, Volume I of the Government Accounting and Auditing Manual, (GAAM) cast doubt on the existence and correctness of the PPE accounts amounting to ₱ 22,380,374.60 as of December 31, 2011.	<p>We recommended to management the following corrective measures:</p> <ul style="list-style-type: none"> <li>a. Initiate at the start of the year the creation of an Inventory Committee to conduct the physical inventory of PPE as of December 31 and prepare a report thereon which shall be submitted to the auditor concerned not later than January 31 of each year as required under Section 490 of GAAM, Volume I.</li> <li>b. Require the Property Unit to assign property numbers to all government properties for identification and monitoring and marked as property of the DOLE, to update its Property Cards and to always reconcile their records with the Accounting Unit.</li> </ul>	The inventory taking for Property, Plant and Equipment as of Dec. 31, 2013 was already accomplished and submitted to COA.
6. The approved Annual Procurement Plan (APP) which can be used as basis for procuring catering services, office supplies, and supplies,	We recommended to Management that before the start of every budget year, an Annual Procurement Plan should be meticulously and judiciously prepared	The Supply Officer has already submitted the APP for CY 2013. However this only covers office supplies and PPE for the

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<p>materials and equipment was not meticulously and judiciously prepared as required under Sections 7.1 and 7.2 of the Implementing Rules and Regulations of RA 9184 resulting in procurement on staggered basis and not in bulk, thus losing the opportunity of availing discounts on bulk transactions.</p>	<p>pursuant to Sections 7.1 and 7.2 of the Implementing Rules and Regulations (IRR) of RA 9184 so that procurement could be undertaken according to plan that shall take into account the lead time for the procurement process so that goods are available at the time needed and to avail of the discounts on bulk procurement.</p>	<p>consumption of DOLE RO5. It does not include the amount of supplies, materials/equipments for livelihood projects because these are not considered office supplies and these cannot be determined at the time of the preparation of the APP. Supplemental APPs are being made for purchases relating to livelihood for CY 2014.</p>
<p>7. Catering services for training totaling P1,030,891.23, and office supplies and supplies, materials and equipment for livelihood projects totaling P9,247,721.64 were procured without competitive bidding and posting in the Philgeps as mandated by the Government Procurement Reform Act, thereby weakening the objective of attaining transparency and competitiveness in the procurement system of the agency.</p>	<p>We advised management that procurement should be done by the Regional Office, specifically the Property/Supplies Section, and to adopt public bidding for procurement of catering services, office supplies, supplies, materials and equipment for livelihood projects before resorting to other alternative mode of procurement as mandated by the Government Procurement Reform Act. Also, procurement for P50,000.00 and more, and for all procurement opportunities regardless of the method of procurement used, results thereof, and other related information should be posted in the Philgeps to promote transparency, efficiency and competitiveness.</p>	<p>Procurements are already posted in the PhilGeps in compliance to RA 9184 and public biddings are conducted for purchases amounting to P500,000.00 or more.</p>

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<p>8. The accuracy, validity and existence of the balances of "Cash in Bank-Local Currency, Current Account" in the amount of P 6,523,266.70 as of December 31, 2010 could not be ascertained due to the failure of the accounting section to prepare and submit bank reconciliation statements as required under Section 74 of P.D. 1445 and COA Circular No. 96-011 dated October 2, 1996.</p>	<p>We recommend to management to require the accountant to promptly prepare the monthly bank reconciliation statements and the underlying documentation to ascertain the correct balances of each cash balance in the bank accounts.</p>	<p>The following Bank Reconciliation Statements were submitted to COA:</p> <p>For AEP – up to December 2013  SPES - up to December 2013  Trust Fund - up to December 2013</p>
<p>9. The Special Program for Employment of Students (SPES) as mandated in R.A. 9547 was relatively implemented with the following deficiencies noted (a) delayed payment of the 40 percent wage to student/beneficiary (b) poor accounting control resulting in double payment of beneficiary and (c) absence of data bank on beneficiaries' achievement during and after completion of the program to gauge its effectiveness.</p>	<p>We advise management to (a) comply with the 30-day period within which to pay the 40 percent counterpart as provided in the Rules and Regulations Implementing Republic Act 7323; (b) observe adequate control in the payment of wages to avoid double claim; (c) maintain a data bank on beneficiaries' achievements as a useful tool in adopting policy guidelines such as the "SPES babies" for a more effective and efficient implementation of the program.</p>	<p>The following actions were taken:</p> <ol style="list-style-type: none"> <li>1. Issued Memo to all PFOs and Employment Focal Persons to comply with the COA Audit Findings on SPES 2012. (Annex A);</li> <li>2. Wrote the LGU Executives/PESO Managers and employers requiring them to submit the SPES pre-employment documents at least two (2) weeks before the start of employment period. (Annex B);</li> <li>3. Provincial PESO Federation meetings were conducted in</li> </ol>

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		<p>every province and it was attended by RD Nathaniel V. Lacambra or ARD Exequiel Ronie A. Guzman who personally discussed the new policies and the strict compliance to the Office Order No. 14-06, series of 2014 issued to all the Provincial Field Officers/Employment Focals relative to the implementation of SPES. (Annex C) and;</p> <ol style="list-style-type: none"><li data-bbox="1547 816 1953 1188">4. Called an emergency meeting of all the provincial employment focal persons and concerned staff involved in the SPES program and discussed the strict implementation of SPES and SRS programs, including the new reporting forms to be used starting this year. (Annex D)</li><li data-bbox="1547 1193 1953 1365">5. Field Office SPES Focal Persons were required to submit to COA a report of SPES beneficiaries for the year using a Microsoft</li></ol>

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		<p>Office Excel reporting system in order to check double payment of wages. This will also serve as the data bank of SPES beneficiaries.</p> <p>6. During the Quarterly PESO Managers' meeting, the PESO Managers were likewise directed to be stricter in choosing the prospective SPES beneficiaries to avoid the recurrence of double payment of the grant.</p> <p>7. TSSD instructed Cam. Sur Provincial Field Office/Employment Focal Person to personally collect from the SPES beneficiary the P1,704.00 overpayment of SPES salary. Likewise, we will also coordinate with the school-employer regarding this matter since they are aware of the said double claim.</p>
<p>10. Had regular monitoring/interventions and sound strategies to intensify collections</p>	<p>We recommend that management (a) monitor operations and oversee the adoption of sound collection strategies to intensify</p>	<p>Based on agreement with PFOs, problematic projects that were assessed will be monitored on a</p>

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<p>were in place for the CASURECO I Independent Union of Employees (CINDUEM) and Nagkakaisang Manggagawang SORECO II (NAMAS), the rise of accounts receivable that can adversely affect operations and defeat the purpose of affording workers of additional sources of income could have been checked.</p>	<p>collections and check the rise of accounts receivable; (b) require Nagkakaisang Manggagawang SORECO II (NAMAS) to keep and maintain their books of accounts in their office so that they will be available to management's monitoring team and to the COA auditors.</p>	<p>monthly basis while those non-problematic will be on a quarterly basis. A monitoring tool to be used during the monitoring visit was developed to facilitate the conduct and quality of monitoring activities.</p> <p>The Camarines Sur Field Office required the CINDUEM to submit financial reports on a quarterly basis.</p> <p>CINDUEM had submitted Financial Reports as of December 31, 2012.</p> <p>The latest Financial Report of NAMAS submitted to our office is up to March, 2012.</p> <p>At present, the consumer store of NAMAS had already ceased its operation due to mismanagement of previous officers. They elected new set of officers. The new set of officers requested to us for a conduct of official audit of their book of accounts and records of the union. The audit will be conducted this CY2014.</p>

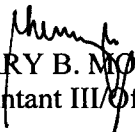


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<p>11. The failure to consider the viability of the project during evaluation and to conduct regular monitoring after release of funds to the Union of Supervisory Employees of CASURECO I (USEC) resulted to closure in operation and loss of government funds amounting to P293,740.00.</p>	<p>We recommend that management require the refund of P293,740.00 for material violation committed by USEC officials on the provisions of the Memorandum of Agreement and COA Circular No. 2007-001 dated October 25, 2007.</p>	<p>We already claimed from PDIC P130,073.56 which represents USEC's account with the closed Cooperative Bank of Camarines Sur. The amount was already deposited to Bureau of Treasury.</p>
<p>12. Fund assistance amounting to P628,103.00 released to PGITEEU (Proponent) for the "Charcoal Briquetting Project" at Tiwi, Albay, under the DOLE Workers Income Augmentation Program (WINAP) was not implemented and completed in accordance with the terms and conditions of the Memorandum of Agreement (MOA) and Project Proposal of the project, resulting to inefficient use, unliquidated and unaccounted funds amounting to P248,287.00, P379,816.00, and P57,828.06, respectively.</p>	<p>We recommend that management should immediately take the following appropriate action pursuant to the MOA of the project:</p> <ol style="list-style-type: none"> <li>a. Require the PGITEEU to immediately submit the liquidation report on the unliquidated amount of P379,816.00, if there is any, or return the same amount, together with the required financial and physical status reports as well as financial statements of the project.</li> <li>b. Institute appropriate legal action against the PGITEEU, which include among others, the termination of the project, for violating the provisions in the utilization of funds and implementation of the project as agreed in the MOA.</li> <li>c. Conduct an inventory of all equipment,</li> </ol>	<p>PGITEEU already settled the account. Last day of payment was on July 1, 2013.</p>

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	<p>furniture and fixtures procured by PGITEEU which were charged against the DOLE fund.</p> <p>d. Require the PGITEEU to submit to management all records and financial reports relative to the project implementation for the conduct of audit and examination of the DOLE and COA.</p>	
<p>13. Validity and details of the Loan Receivables under DOLE Livelihood Program with year end balance of P8,422,383.91, which have been dormant for more than three years, could not be determined due to the absence of subsidiary ledger and records, hence collection could not be enforced.</p>	<p>We recommended that management should exert vigorous efforts to review the Loans Receivable account with a year end balance of P8,422,383.91 and enforce payment of the principal and interests thereon. In addition, it should also seek to determine lapses in the reporting and recording procedures as well as the flow of the transactions. Subsidiary Ledgers for the afore-mentioned account should be maintained and updated regularly.</p>	<p>Subsidiary ledgers were already prepared for the Loans Receivables account. A request for the write-off of the account "Loans Receivable" was already sent to the Central Office. The Honorable DOLE Secretary Rosalinda Dimapilis-Baldoz had forwarded a letter-request to Director Fortunata M. Rubico of Office of the Commission Secretariat, COA recommending the write-off of the said dormant accounts.</p>
<p>14. No liquidation reports on the utilization of funds transferred to LGUs, NGOs/POs for DOLE Projects totaling P8,467,127.47 were submitted as proof of the actual utilization of the</p>	<p>We recommended that project officers/focal persons should immediately require the submission of liquidation reports for funds transferred to the LGUs, NGOs/POs totaling P8,467,127.47 upon completion of the</p>	<p>Aside from the strategies previously implemented by this office, at present, we require the submission of action plan from our Provincial Field Offices to facilitate</p>

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funds for intended projects, contrary to COA Circular No. 2007-001 dated October 25, 2007 and the Manual of NGAs, Vol. III.	projects, and determine the factors that cause delay in the submission of liquidation documents and take the necessary action accordingly.	the liquidation of previously assisted LGUs/NGOs/POs.  As of March 31, 2014, the balance of Due from LGUs increased to P33,810,606.37 due to BUB releases. The balance of Due from NGOs/POs is only P2,960,047.11.

Prepared and submitted (by Authority of the Regional Director):

  
 CHERRY B. MOSATALLA  
 Accountant III/Officer-In-Charge