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Republic of the Philippines  
COMMISSION ON AUDIT  
Regional Office No. IX, Zamboanga City

## MANAGEMENT LETTER

on the

DEPARTMENT OF LABOR AND EMPLOYMENT  
REGIONAL OFFICE NO. IX, ZAMBOANGA CITY

For the Year Ended December 31, 2014



Republic of the Philippines  
**COMMISSION ON AUDIT**  
**Office of the Regional Supervising Auditor**  
**National Government Sector**  
*Cluster 5, Education and Employment*  
*Regional Office No. IX, Zamboanga City*

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May 29, 2015

**MR. SISINIO B. CANO**  
Regional Director  
Department of Labor and Employment  
Regional Office No. IX  
Zamboanga City

Dear **Director Cano**:

**Management Letter on the Audit of the**  
**Department of Labor and Employment-Regional Office IX**  
**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) IX 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 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.
4. Deficiencies observed in the course of the audit were earlier communicated through Audit Observation Memoranda (AOMs) and discussed in an exit conference with concerned DOLE-RO IX officials on March 25, 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 Department of Labor and Employment for CY 2014.

## I. SUMMARY OF AUDIT OBSERVATIONS AND RECOMMENDATIONS

5. Below is the summary of the audit observations and recommendations which were discussed in details in Part II of this Report.

- **Monthly Bank Reconciliation Statements were not regularly prepared and submitted to the Office of the Audit Team Leader as required under Section 74 of P.D. 1445 and COA Circular No. 92-125-A dated March 4, 1992, thus balances of cash in bank accounts in the financial statements cannot be ascertained.**

Require the Accountant to strictly adhere to the provisions provided under Section 74 of P.D. 1445 and COA Circular No. 92-125A date March 4, 1992, as to the preparation and submission of Bank Reconciliation Statements for the team to be able to perform timely verification and reconciliation of the cash in bank balances per books and per bank.

- **Cash Advances granted to officers and employees under the account advances to officers and employees (1-99-01-040) in the amount of P 153,794.10 remained unliquidated as of December 31, 2014, in violation of pertinent provisions of COA Circular No. 97-002 dated February 10, 1997.**

We recommended that management should issue demand letters to these concerned accountable officers to immediately liquidate their outstanding cash advances. Likewise, no additional cash advances be granted unless prior cash advances were liquidated as provided for in COA Circular No. 97-002 dated February 10, 1997.

- **Monthly Trial Balance and Report of Checks Issued, with corresponding paid vouchers were not submitted to Office of the Team Leader within the prescribed period, contrary to existing rules and regulations.**

We recommended that the accountable officers should immediately cause the prompt submission of the Report of Disbursements together with the corresponding paid vouchers to the Accountant for necessary recording in the books of accounts to facilitate the submission of the same together with the Trial Balance and supporting schedules to the office of the Audit Team Leader, as mandated.

- **Outstanding checks include stale checks amounting to Seventy-Nine Thousand Nine Hundred Seventy-Six Pesos and 45/100 ( P 79,976.45), thus balances of account Cash in Bank and other Payables in the books of the Agency are understated.**

We, therefore recommended to the Regional Accountant that the necessary adjusting entries be made on the affected accounts to be able to prepare a correct and reliable financial statements.

- **Management failed to furnish copies of perfected Purchase Orders (POs) to the Office of the Audit Team Leader within five (5) working days upon approval together with the supporting documents for review contrary to Sections 3.1.1 and 3.2.1 of COA Circular No. 2009-001 dated February 12, 2009.**

We, therefore, recommended that management should strictly adhere with the provisions of section 1.1.1 and 3.2.1 of COA Circular No. 2009-001 dated February 12, 2009 to avoid possible suspensions and/or disallowance in post-audit.

- **Several disbursements for purchase of gasoline were not supported with duly filled-up Driver's Trip Tickets, in violation to Section 361 of GAAM Vol. 1, thus, the validity/propriety of gasoline expenses during CY 2014 amounting to P 240,031.35 cannot be ascertained.**

We, therefore, recommended strict compliance with the provisions of Section 361, particularly (d, e, g and h) of GAAM Vol. I to correct the deficiencies noted in the audit.

- **Management had an approved budget of P 8,200,276.00 for GAD related activities during CY 2014 but actual expenditure incurred was P 14,625,927.06, thus, exceeded the approved budget.**

We, therefore, recommended that the Focal Point must prepare a realistic GAD Plan and Budget for ensuing years for GAD related activities and to furnish the duly approved copy to the Office of the Audit Team Leader for monitoring and evaluation purposes. Likewise, Management can increase their budget, if needed, for GAD related activities to more than 5% of their total appropriations.