



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

March 15, 2017

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 2016**

1. Pursuant to Section 2, Article IX-D of the Constitution of the Philippines and Section 43 of the Government Auditing Code of the Philippines (PD No. 1445), we have audited the accounts and operations of the Department of Labor and Employment- Regional Office (DOLE-RO) IX for the period ended December 31, 2016. The audit was conducted in accordance with applicable legal and regulatory requirements and generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted by the audit team 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, 2016 are shown in the attached audited financial statements. (Annexes A-G)
4. Deficiencies observed in the course of the audit were earlier communicated through Audit Observation Memoranda (AOMs) and discussed in an exit conference conducted on March 10, 2017 with concerned Department of Labor and Employment (DOLE) IX officials and employees. Deficiencies corrected during the year are no longer included in this report (if applicable). Their comments were incorporated in this 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 2016.

A. SUMMARY OF AUDIT RECOMMENDATIONS

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

- a. We recommended that the Accountant strictly adheres to the provisions provided under Section 74 of P.D. 1445 and COA Circular No. 92-125A dated 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 balances per books and per bank.
- b. We, therefore, recommended that Management directs the Single Entry Assistance Desk Officers (SEADO) who provide assessment, evaluation, counseling and conciliation-mediation services to both parties to strictly monitor the status of each case handled and exert effort to address constraints toward the early settlement of labor disputes referred to the Agency.
- c. We recommended that Management:
 - Submit the necessary documents and details with regard to status of funds for utilization of the subsidies for financial support of the beneficiaries, administrative costs, funds for the hiring of K to 12 DOLE AMP Technical Staffs and funds allocated for the K to 12 Trainer's Training;
 - Require the timely submission of the status of implementation of the K to 12DOLE AMP; and
 - Comply with the implementing guidelines prescribed in the Department Order No. 152-16.
- d. We recommended that Management:
 - Ensures that student beneficiaries are paid their 40 percent salaries within the 11 days prescribed period. Require the employers, PESO and DOLE-RO IX to perform their duties and responsibilities within the period provided in the IRR of RA 9547 for the payment of the 40 percent share of DOLE;
 - Requires the TSSDD and DOLE-RO IX Field Offices to closely monitor the PESOs to ensure that the list of checks were actually posted and student beneficiaries were informed of their claims; and
 - Instructs the Accounting Unit to exclude from the payrolls under processing those students with inadequate documentation/deficiencies while the

necessary requirements are being completed to enable the complying students the timely payment of their 40 percent salaries.

- e. We recommended Management to direct the Accountant and the Supply/Property Officer to:

Accountant

- Reclassify the PPE in accordance with the criteria set under Section 3, Chapter 10, Volume I of the GAM and prepare the Journal Entry Voucher (JEV) to make the necessary adjusting entries to effect the dropping of the PPE costing ₱15,000 and below;
- Provide a copy of the JEV to the Property Officer together with the schedule or list of affected PPE that were dropped from the books of accounts for their subsequent dropping from the property/equipment records;

Property/Supply Officer

- Based on the JEV and schedule or list of PPE costing below ₱15,000.00 as provided by the Accountant, drop the affected PPE from the inventory of PPE/property records;
 - Cancel the Property Acknowledgement Receipt (PAR) or Acknowledgement Receipt for Equipment (ARE) of the affected PPE; and
 - prepare and issue Inventory Custodian Slip to replace the cancelled PAR/ARE.
- f. We, therefore, recommended that Management strictly adhere to the provision of Department Order No. 137A-16 in implementing the DOLE Integrated Livelihood and Emergency Employment Programs (DILEEP).
- g. We recommended that Management requires the Property Division to strictly adhere to existing rules and regulations on the maintenance of PAR for equipment issued to DOLE personnel. Renew the PAR every three years if there is no change on property custodian and likewise issue PAR every time accountability of government property is transferred. For year 2016, pursuant to the GAM, the ARE is replaced by the Property Acknowledgement Receipts (PARs).

- h. We commended the Agency's officials and employees for their concerted efforts to be able to attain a very satisfactory accomplishment of its targeted programs and activities and we recommend that Management will continue their good work in accomplishing agency's targeted programs and activities during the year.
- i. We, therefore, commend Management efforts for the full liquidation of prior year's unliquidated cash advances and recommend to continue their good work in keeping the Agency's unliquidated cash advances to zero balance every end of the year and ensuring that these are undertaken in an efficient and effective manner as well.

B. DETAILED OBSERVATIONS AND RECOMMENDATIONS

Favorable Observation

Department of Labor and Employment (DOLE) Regional Office No. IX has satisfactorily accomplished its plans and targets for CY 2016 due to the concerned officials' close monitoring and supervision over the implementation of its programs and activities, thereby contributing to the promotion of a highly productive, competitive and well-compensated workforce.

MFO 2: Employment Facilitation and Capacity Building Services

- 6. The Public Employment Service (PES) is an indicator that assesses the impact of training provided to PESO Managers through the determination of the number of qualified jobseekers.
- 7. The Labor Market Information (LMI) is program that reaches out to different institution to make them aware of the current and trending labor market information.
- 8. Special Program for Employment of Students (SPES) is a program that allows poor but deserving youth to engage in a short-term employment, subsidized by the government and willing employers to help students earn additional income for educational expenses.
- 9. Government Internship Program (GIP) is a program that helps newly graduate students to work, and at the same time earn monetary compensation, this gives them
- 10. DOLE Integrated Livelihood & Emergency Employment Program (DILEEP) is the Department's contribution to Government agenda of inclusive growth through massive job generation.
- 11. Tulong Panghanap-Buhay sa ating Disadvantage/Displace Workers Program (TUPAD) is a community-based (municipality/barangay) package assistance that provides emergency employment for displaced workers; those who were self-employed and have lost their livelihood, including farmers and fishermen, due to natural and man-made disasters, and the underemployed and unemployed poor.

12. Tables below show that the Agency has achieved not only 100% actual accomplishment but even exceeded of their plans and targets, except for three (3) programs.

MFO 2-Employment Facilitation and Capacity Building Services

Program	Target	Actual	Rate (%)
Public Employment Service (PES)	11,681	26,906	230%
Labor Market Information (LMI)- (Individuals)	48,000	69,714	145%
Labor Market Information (LMI)- (Institutions)	400	916	229%
Special Program Employment of Students (SPES)	15,556	16,862	108%
Government Internship Program (GIP)	2,155	2,220	103%
Tulong Panghanap-Buhay sa Ating Disadvantage/Displace Workers Program (TUPAD)	8,551	16,914	198%

Program	Target	Actual			Rate%
		Individual	Group	Total	
DLE Integrated Livelihood and Emergency Employment Program (DILEEP)	3,469	2,811	4,794	7,605	219%

MFO 3: Labor Welfare Services

Program	Target	Actual	Rate (%)
NRCO Reintegration Services			
No. of returning OFWs and their families provided with livelihood training and starter kit (Livelihood Assistance)	131	131	100%
No. of returning OFWs and their families provided with livelihood training and starter kit (Trainings)	131	122	93%

MFO 4: Employment Regulation Services

Program	Target	Actual	Rate (%)
Labor Laws Compliance System	1,554	1,625	105%

Program	Target	RFA Handled	Settled	Settlement Rate(%)	Rate (%)
Single Entry Approach (SEnA) Indicator : Settlement Rate	77% Settlement Rate	259	195	75	98

Program	Target	RFA Handled	Disposed	Disposition Rate (%)
Single Entry Approach (SEnA) Indicator: Disposition Rate	100% Disposition Rate	259	242	93%
Speedy and Expeditious Delivery of Labor Justice (SpeED) Indicator: Disposition Rate (%)	100% Disposition Rate	80	80	100%

13. The high performance ratings could be attributed to the concerted efforts of the officials and employees who have done their parts and the close supervision /monitoring of the Head of the Agency over the implementation of its targeted programs/activities.
14. **We commended the Agency’s officials an employees for their concerted efforts to be able to attain a very satisfactory accomplishment of its targeted programs and activities and we recommended that Management will continue their good work in accomplishing agency’s targeted programs and activities during the year.**
15. Management acknowledged the favorable observation for the accomplishment of the Agency’s Plans and Targets for CY 2016, and made the assurance that they will continue their good work in accomplishing the agency’s targeted programs and activities.

Management of DOLE IX has satisfactorily implemented the liquidation of all prior years’ cash advances granted to officers and employees amounting to P83,207.90 which remained unliquidated for 91 days and over 3 years since year 2014, thus resulted to a zero balance of Account Advances to Officers and Employees (1-99-01-140) as of December 31, 2016.

16. The rules and regulations on the grant and liquidation of cash advances are prescribed under Section 89 of P.D. No. 1445, COA Circular No. 97-002 dated February 10, 1997 and reiterated in COA Circular No.2009-002 dated May 18, 2009 which provide:
 - No cash advance shall be given unless for a legally authorized specific purpose;
 - No additional cash advances shall be allowed to any official or employee unless the previous cash advance is first liquidated and accounted for in the books, A certification from the Accountant is required as a documentary requirement;

- A cash advance shall be reported on as soon as the purpose for which it was given has been served; and
 - The accountable officer (AO) shall liquidate his cash advance within thirty (30) days after his return to his permanent official station in the case of official local travel.
17. Due to poor internal control system of the Agency on this area, prior years' cash advances granted to officers and employees for local travels were not liquidated as prescribed by the rules and regulations on the grant and liquidation of cash advances.
 18. As a result, the balance of unliquidated cash advances for prior years which remained outstanding for 91 days and over 3 years was P 440, 983.98 as of December 31, 2013. But with the exerted efforts of the concerned Agency's personnel, particularly, the Accounting Unit and with close monitoring and supervision of the Head of the Agency, this was decreased to P 83,207.90 in December 31, 2015 and on May 31, 2016, the said balance was fully liquidated, leaving a zero balance for Account Advances to Officers and Employees in the books of the Agency as of December 31, 2016..
 19. **We, therefore, commended Management's efforts for the full liquidation of prior year's unliquidated cash advances and recommend to continue their good work in keeping the Agency's unliquidated cash advances to zero balance every end of the year and ensuring that these are undertaken in an efficient and effective manner as well.**
 20. Management acknowledged the favorable observation on the implementation of full liquidation of Prior and present year's cash advances granted to officers and employees, and made the assurance to continue their good work in keeping the Agency's unliquidated cash advances to zero balance every end of the year.

Value for Money Audit

Kabuhayan Program

Purchases of Personal Protective Equipment (PPE) were not in accordance with Section 15, Chapter 111 of the Department Order No. 137-14, of the Guidelines in the Implementation of the Department of Labor and Employment Integrated Livelihood and Emergency Employment Program (DILEEP) amounting to One Million Seven Hundred Thirty Two Thousand One Hundred Twelve & 13/100 (P1,732,112.13).

1. Section 15, of Department Order No. 137-14 Guidelines in the Implementation of the Department of Labor and Employment Integrated Livelihood and Emergency Employment Programs (DILEEP) provides for the modes of implementation of Delivery Assistance, to wit

A. Pre-implementation Phase- Services to be provided prior to the engagement in any TUPAD project:

1. Basic orientation on safety and health prior to their engagement in any project;
2. Personal Protective Equipment (PPE) , such as hard hat, work globes musk, rubber boots and long-sleeved TUPAD may be provided by the Department, or by the project proponent, or partner agency, depending on the nature of work. Complete PPE shall be mandatory in high risk and hazardous works; and
3. Enrollment in group micro-insurance, as social security, for the duration of the work contract. The DOLE shall bear and pay the cost of insurance to the micro-insurance provider.

21. In the audit of transactions Zamboanga del Norte Field Office Personal Protective Equipment (PPEs) amounted to P 1,732,112.13 for the purchase of T-shirts, hats, Masks, Boots and hand globes as shown below:

Items Purchased	Amount
Mask	1,520.00
Boots	622,440.00
Hand Globes	466,088.00
T-shirts	571,520.00
Hats	168,500.00
Total	1,830,068.00
Less: Tax	97,955.87
Total	1,732,112.13

22. However, Section 15, Chapter III paragraph 2 of Department Order No. 137-14 Guidelines in the Implementation of the Department of Labor and Employment Integrated Livelihood and Emergency Employment Programs (DILEEP) was amended by Department Order No. 137A-16 Series of 2016.

23. In the interest of the service, and as provided under the General Appropriations Act (GAA) of 2016, paragraph (2), Item A. Pre-implementation Phase under Section 15, Delivery of Assistance of DO No. 137-14 Series of 2014, is hereby amended as follows:

24. Personal Protective Equipment (PPE), except T-Shirt and hat, shall no longer be required and procured for TUPAD implementation provided that works programs do not fall under the work as defined in Rule 1013 of the Occupational Safety and Health Standards s1989.

25. However, Mask, boots and hand globes amounting to One Million Ninety Thousand Forty Eight (P1,090,048.00) were still purchased by the agency as the projects does not fall under Rule 1013 of the Occupational Safety and Health Standards s1989.

Particulars	Amount
Mask	1,520.00
Boots	622,440.00
Hats	168,500.00
Total	1,090,048.00

The following are considered “Hazardous workplace”

- Where the nature of work exposes the worker to dangerous environmental elements, contaminants or work conditions including ionizing radiation, chemicals, fire, flammable substance, noxious components and the like;
 - Where the workers are engaged in construction work, logging, firefighting, mining, quarrying, blasting stevedoring, dock work, deep sea fishing and merchandized farming;
 - Where the workers are engaged in the manufacture or handling of explosives and other pyrotechnic products;
 - Where the workers use or exposed to power driven or explosive powder actuated tools;
 - Where the workers are exposed to biologic agents such as bacteria, fungi, viruses, protozoas, nematodes and other parasites.
26. **We, therefore, recommended that management strictly adhere to the provision of Department Order No. 137A-16 in implementing the DOLE Integrated Livelihood and Emergency Employment Programs (DILEEP).**
27. Management gave the following reasons why PPEs were purchased which is not in accordance with DO No. 137A-16 , to wit:
- The Project Proposal was approved on Feb. 16, 2016 with corresponding Purchase request likewise approved on Feb. 17, 2016.
 - The Department Order No. 137A-16 was approved Feb. 17, 2016 was officially received by the Regional Office No. 9 on Feb. 29, 2016 and notification to field offices was issued and received on March 1, 2016.

- Before the receipt of DO No. 137A-16, procurement process was already underway such as posting in the PhilGeps, canvass, etc.
- Furthermore, the nature of activities conducted consist of 1) Coastal, River Banks, Creeks and Street Cleaning; 2) De-clogging of canals; 3) Debris segregation; 4) Materials recovery; 5) Nursery Management and Community Seed Banking that needs Personal Protective Equipment (PPEs) to prevent them from direct contact of contaminants such as bacteria, toxins, and other harmful substance that may cause disease/illnesses.
- Finally, other proposed and approved activities such as Repair of farm-to-Market Road, Repair and Rehabilitation of Provincial and Barangay Roads need also PPEs given the nature of works workers are engage with.

Special Program for Employment of Students

SPES beneficiaries were not paid their salaries within the period prescribed in the IRR of RA 9547 as payments of at least 1,882 students amounting to P 4,904,780.00 in CY 2016 for the 40 percent share of DOLE were delayed by 3 months or more and remained unreleased as of December 31, 2016, thus affecting the attainment of the program objective of helping poor but deserving students to pursue their education by providing income or augment their income.

28. The Special Program for the Employment of Students (SPES) was instituted by the late President Corazon C. Aquino who signed into law the Republic Act (RA) 7323 on March 30, 1992. Its objective is to develop the intellectual capacities of children of poor families and harness their potentials for the country’s well being. Specifically, the program aims to help poor but deserving students pursue their education by providing income or augment their income through encouraging their employment during summer and/or Christmas vacations. Subsequently, R.A. 7323 was amended by R.A. 9547, an Act strengthening and expanding the coverage of the SPES.
29. DOLE-DepEd-CHED-DSWD-DBM-DOF Joint Memorandum Circular No. 2010-001 dated February 11, 2010 provides the Implementing Rules and Regulations (IRR) of RA 9547. The IRR provide, among others, the period of employment, payment of salary wage, and the duties and responsibilities of employer, DOLE and Public Employment Service Office (PESO), as presented on the next page:

Reference	Selected Provisions
Section 2, Rule IV	<p><i>Period of Employment</i></p> <ul style="list-style-type: none"> • For Secondary level, employment shall only be during summer and/or Christmas vacations. During summer implementation, the number of days shall neither be less than 20 working days nor more than 52 working days.

Reference	Selected Provisions
	<p>For Christmas implementation, the number of days shall neither be less than ten working days nor more than 15 working days.</p> <ul style="list-style-type: none"> • For Tertiary, Technical or Vocational education level, employment shall be at any time of the year but in no case be less than 20 working days or more than 52 working days within a period of one year. • In all cases, employment should not exceed 52 working days within a period of one year.
Section 3, Rule IV	<p><i>Payment of Salary or Wage</i></p> <p>The student shall be paid the salary or wage not lower than the applicable minimum wage for private employers or the applicable hiring rate for the national or local government agencies. The 60 percent of his/her salary or wage shall be paid by the employer in cash, while the remaining 40 percent of the applicable minimum wage or hiring rate shall be paid by the DOLE.</p>
Section 7, Rule IV	<p><i>Duties and Responsibilities of Employer</i></p> <p>The employer shall, among others, submit to the PESO not later than five (5) working days after the duration of employment the Establishment Report Form (SPES Form 2) indicating the following: number of students hired, nature of work, occupation of the student, inclusive dates of employment, the wage rate and the total salary or wage paid to the student, number of days worked and other pertinent information.</p>
Section 2, Rule V	<p><i>Role of DOLE</i></p> <p>The DOLE shall serve as the SPES Program Manager. Its Regional and Field Offices shall, among others:</p> <ul style="list-style-type: none"> • Supervise the SPES activities of the PESO. • Pay 40 percent of the applicable salary or wage of student in the form of an education voucher within three (3) working days upon receipt of the validated Establishment Report Form (Form 2) from the PESO. • Maintain a complete record of student beneficiaries and participating employers, and submit a SPES Monitoring report to DOLE Central Office, one month after each semester. • Consolidate report on SPES Babies (SPES Form 4) and submit to DOLE Central Office within 30 days after the end of each semester. •
Section 3, Rule V	<p><i>Role of PESO</i></p> <p>The PESO shall serve as the frontline implementer of the SPES. Specifically, it shall, among others:</p> <ul style="list-style-type: none"> • Receive, validate and submit to DOLE RO/Field Office (FO) all Establishment Report Forms (SPES Form 2) of participating employers for processing of the education voucher within three (3) working days after receipt. • Maintain a complete record of student beneficiaries and participating employers and submit SPES Monitoring Report to DOLE RO/FO within 15 days after the end of each semester.

30. Based on the foregoing provisions, the DOLE Regional/Field Offices shall pay the student beneficiaries the 40 percent of their salaries or wages within 11 days after the duration of employment, calculated as follows:

Responsible Person/Office	Activity	No. of Days
Employer	Submission of Establishment Report Form (SPES Form 2) to the PESO	5
PESO	Receipt, validation and submission to DOLE RO/FO of SPES Form 2 of participating employers	3
DOLE ROs/FOs	Receipt of SPES Form 2 from PESO and payment of 40 percent of the applicable salary or wage of student beneficiaries in the form of an education voucher	3
Total		11

31. The audit team reviewed the payrolls and supporting documents for the payment of the 40 percent share of DOLE in the salaries or wages of student beneficiaries for checks prepared in December 2016 to determine whether payments were made on a timely manner. We noted that 1,882 students did not receive their checks amounting to P 4,904,780.00 as of December 31, 2016 indicating that no students were able to receive salaries or wages within the prescribed period. All payments to students were delayed, as presented below:

Zamboanga del Norte								
DV #	Period Covered	No of Beneficiaries	Check No.		Dated	Amount	Date Released	Remarks
2016-12-15246	April 10 to May 31, 2016	5	2044599	2044603	12-22-16	29,120.00	12-28-16	
2016-12-15247	Dec. 2016	2	2044604	2044605	12-22-16	4,320.00	12-28-16	
2016-12-15248	Nov. 2016	8	2044606	2044613	12-22-16	21,760.00	12-28-16	
2016-12-15288	Nov. 2016	53	2045023		12-23-16	237,440.00	1-9-17	Checks Issued to Schools
2016-12-289	Sept. 2016	8	2045024	2045031	12-23-16	12,800.00	1-9-17	
2016-12-15291	Sept. 2016	11	2045032	2045042	12-23-16	25,200.00	1-9-17	
2016-12-15259	Sept. 2016	14	2045043	2045056	12-23-16	16,800.00	1-9-17	
2016-12-15290	Nov. 2016	19	2045057	2045075	12-23-16	30,400.00	1-9-17	
2016-12-15265	Dec. 2016	51	2045076	2045126	12-23-16	81,600.00	1-9-17	
2016-12-15292	Nov. 2016	20	2045191		12-23-16	44,800.00	1-9-17	Checks Issued to Schools
2016-12-15320	Nov. & Dec. 2016	12	2045327		12-28-16	23,040.00	1-9-17	Checks Issued to Schools
2016-12-	Aug. 1 to	20	2045387		12-28-16	44,800.00	1-9-17	Checks

15331	Sept. 9, 2016							Issued to Schools
2016-12-15332	Sept. 15 to Nov. 11, 2016	40	2045388		12-28-16	170,800.00	1-9-17	Checks Issued to Schools
2016-12-15353	Sept. 30 to Oct. 30, 2016	10	2045389	2045398	12-28-16	22,400.00	1-9-17	
2016-12-15404	Aug. 22 to Oct. 15, 2016	40	2045790		12-28-16	134,400.00	1-9-17	Checks Issued to Schools
2016-12-15403	Oct. 10 to Nov. 2, 2016	11	2045791	2045801	12-28-16	15,400.00	1-9-17	
2016-12-15401	April 18 to May 27, 2016	12	2045802	2045813	12-28-16	25,920.00	1-9-17	
2016-12-15402	Oct. 24 to Nov. 11, 2016	39	2045814	2045852	12-28-16	23,520.00	1-9-17	
2016-12-15415	Sept. 13 to Nov. 11, 2016	72	2045853	2045924	12-28-16	201,600.00	1-9-17	
Total					1,096	1,166,120.00		

Zamboanga del Sur

2016-12-15038	Nov. 2016	55	2043822	2043876	12-20-16	82,500.00	1-9-17	
2016-12-189	Aug. 1 -28, 2016	250	2044262	2044511	12-21-16	700,000.00	1-9-17	
2016-12-15206	Oct. 3 to Nov. 4, 2016		2044614		12-22-16	168,950.00	1-9-17	
2016-12-15207	Oct. 3 to Nov. 4, 2016	1	2044615		12-22-16	1,050.00	1-9-17	
2016-12-15244	Nov. 2016	42	2044616	2044657	12-22-16	54,600.00	1-9-17	
2016-12-15245	Nov. 2016	99	2044658	2244756	12-22-16	198,000.00	1-9-17	
2016-12-15186	Nov. 2016	200	2044757	2044956	12-22-16	560,000.00	1-9-17	
2016-12-15268	Nov. 2016	12	2045127			24,000.00	1-9-17	Checks Issued to Schools
2016-12-15267	Nov. 2016	63	2045128	2045190	12-23-16	126,000.00	1-9-17	
2016-12-15311	Sept. 15 to Nov. 15, 2016	85	2045370	2045386	12-28-16	166,403.86	1-9-17	
2016-12-15382	May 16 to June 10, 2016	38	2045441	2045478	12-28-16	28,200.00	1-9-17	
2016-12-15373	Sept. 15 to Nov. 15, 2016	98	2045479	2045479	12-28-16	262,509.71	1-9-17	
2016-12-	Oct. 1 to	154	2045575	2045728	12-28-16	429,686.43	1-9-17	

15338	Nov.3 0, 2016							
Total		1,096				2,901,900.00		
Zamboanga City								
2016-12-15206	April & May 2016	60	2045933	2045992	12-29-16	168,000.00	1-5-17	
2016-12-15450	Dec. 2016	96	2045993	2046088	12-29-16	348,320.00	1-5-17	
2016-12-15451	July to Oct. 2016	62	2046089	2046150	12-29-16	184,016.00	1-5-17	
Total		218				700,336.00		
Zamboanga Sibugay								
2016-12-15124	Nov. 14 to Dec. 9, 2016	60	2044957	2045016	12-22-16	120,000.00	1-4-17	
2016-12-15388	Oct. 17 to Nov.11, 2016	61	2045729	2045789	12-28-16	116,424.00	1-4-17	
Total		121				236,424.00		

32. Out of the 1,882 beneficiaries only 15 received their checks on December 28, 2016 while the rest were released on January 2017.
33. Inquiry from the Cashier and Accountant revealed that the delay in the preparation of checks could be attributed to the following:
- Huge volume of claims for processing;
 - Claims were not processed if supporting documents were incomplete, no placement report were submitted by the PESO to DOLE-RO IX, or SPES babies could not be found in the submitted placement report; and
 - The 60 percent payroll which would be the basis for the preparation of 40 percent payroll is incomplete or not submitted by the PESO to DOLE-RO IX.
 - Late submission of claims by field offices.
34. The delayed or unreleased payment of salaries/wages of the student beneficiaries affects the attainment of the program objective which is to help poor but deserving students pursue their education by providing income or augment their income through encouraging their employment during summer and/or Christmas vacations.
35. **We recommended that Management:**
- **Ensure that student beneficiaries are paid their 40 percent salaries within the 11 days prescribed period. Require the employers, PESO and DOLE-RO IX to perform their duties and responsibilities within the period provided in the IRR of RA 9547 for the payment of the 40 percent share of DOLE;**

- **Require the TSSDD and DOLE-RO IX Field Offices to closely monitor the PESOs to ensure that the list of checks were actually posted and student beneficiaries were informed of their claims; and**
 - **Instruct the Accounting Unit to exclude from the payrolls under processing those students with inadequate documentation/deficiencies while the necessary requirements are being completed to enable the complying students the timely payment of their 40 percent salaries.**
36. Management furnished a copy of memorandum issued by the Regional Office directing the TSSD, IMSD and field Offices to strictly implement the Special Program for Employment of Students (SPES) in accordance with RA No. 10917 and its implementing Rules and Regulations. In particular, among others, is to ensure the payment of the 40% DOLE share within the prescribed period.

Single Entry Approach (SEnA)

TWENTY (20) requests for assistance under the Single Entry Approach (SEnA) over labor disputes were settled beyond the 30-day mandatory conciliation-mediation period, contrary to Department Order No. 107-10 issued by the Department of Labor and Employment (DOLE)

- a. Single Entry Approach (SEnA) refers to an administrative approach to provide a speedy, impartial, inexpensive and accessible settlement procedure of all labor disputes or conflicts to prevent them from opening into full blown disputes .Conciliation –mediation process shall be utilized as immediate intervention to effect amicable settlement among the differing parties.
 - b. The 30-day mandatory conciliation – mediation period refers to the 30 calendar days maximum period within which to conduct the mandatory conciliation-mediation proceedings, and to refer the issue to the appropriate agency if unsettled
37. The Accomplishment Report on SEnA cases submitted by Management at the end of CY 2016 to implement DOLE Order No. 107-10 governing the 30-day mandatory conciliation-mediation period over labor disputes , showed that the Agency reported 232 settlement or 75% percent of the 310 requests for assistance (RFA) received during CY 2016.
38. However, our validation showed that Twenty (20) requests for assistance of the Two Hundred Thirty Two (232) settled cases was beyond the 30-day mandatory period, indicating a need to further ensure that the purpose of the SEnA, for the judicious and speedy settlement of labor issues or conflicts is fully settled, to wit:

Ref. No.	Requesting Party	Nature & Subject of the Request	Date Filed	Date Settled	No. of Day/s Delayed
SEAD-ROIX-ZCFO-09-10-2016	Princes Pagunawan	Money Claim	10-2-2015	1-19-2016	70 days
SEAD-ROIX-ZCFO-09-10-2016	Joycely Palpal-Latoc	Money Claim	11-27-2015	1-8-2016	45 days
SEAD-ROIX-ZCFO-018-11-2016	Reynie Resurrection	Money Claim	11-19-2016	1-13-2016	49 days
SEAD-ROIX-ZDSFO-003-01-16	Danilo D. Mato & Ernesto D. Pugoy	Money Claim	1-4-2016	72-12-2016	39 days
SEAD-ROIX-ZDSFO-01-008-2016	Elizabeth Emia, et al	Money Claim	1-12-2016	3-4-2016	49 days
SEAD-ROIX-ZCFO-02-12-2016	Rommel Lumpapac, et al	Money Claim	12-2-2015	3-7-2016	90 days
SEAD-ROIX-ZSFO-44-10-15	Luis R. Daguio, Romer Ajar	Money Claim	10-6-2015	3-30-2016	96 days
SEAD-ROIX-ZDSFO-008-02-16	Tessie T. Apison, et al	Money Claim	2-3-2016	3-11-2016	37 days
SEAD-ROIX-ZDSFO-008-02-16	Abdulla C. Sabellano	Money Claim	2-3-2016	3-16-2016	42 days
SEAD-ROIX-ZSFO-018-03-16	Jay C. Patangan	Money Claim	3-15-2016	4-22-2016	38 days
SEAD-ROIX-ZSFO-14-04-16	Noel Malinao	Money Claims	3-1-2016	4-12-2016	42 days
SEAD-ROIX-ZSFO-023-04-16	Renold A. Canete	Money Claims	4-19-2016	5-24-2016	35 days
SEAD-ROIX-ZCFO-03-003-16	Sherly S. Laceta	Money Claims	3-10-2016	6-1-2016	90 days
SEAD-ROIX-ZDSFO-024-04-16	Clifford T. Concepcion, et al	Money Claims	4-26-2016	5-31-2016	35 days
SEAD-ROIX-ZSFO-07-06-16	Enerio Ondalan	Dismissal	5-27-2016	7-19-2016	42 days

SEAD-ROIX-ZCFO-07-008-2016	Agnes Mayo	Separation & Money Claims	7-18-2016	9-2-2016	35 days
SEAD-OIX-ZCFO-06-009-2016	Michael Pioquinto, et al	Money Claims	6-20-2016	9-2-2016	42 days
SEAD-ROIX-ZCFO-07-006-2016	Roman Carlo dela Torre	Money Claims	7-11-2016	8-31-2016	35 days
SEAD-ROIX-ZDSFO-041-08-16	Cornelia M. Rancho	Money Claims	8-8-2016	9-13-2016	36 days
SEAD-ROIX-ZCFO-10-009-2016	Katherine Chong	Retirement Pay	10-19-2016	12-9-2016	48 ays

39. As a result of these delays the purpose of the SEnA, for the judicious and speedy settlement of labor issues or conflicts was not fully achieved and may have also increased the costs borne by both parties in the dispute.
40. **We, therefore, recommended that Management direct the Single Entry Assistance Desk Officers (SEADO) who provide assessment, evaluation, counseling and conciliation-mediation services to both parties to strictly monitor the status of each case handled and exert effort to address constraints toward the early settlement of labor disputes referred to the Agency.**
41. Management furnished a copy of a memorandum issued by the Regional Office to concerned Field Offices in compliance to the recommendation to management to strictly monitor the status of each cash/request handled by each single Entry Approach Desk Officers (SEADOs).

Financial and Compliance Audit

Late submission of BRS

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

42. Section 74 of P.D. 1445 requires that the head of the agency shall see to it that a reconciliation is made between the balance shown in the Bank Statements and the balance found in the books of the agency.
43. COA Circular No. 92-125A dated March 4, 1992, requires the accountant to prepare and submit to the auditor, Bank Reconciliation Statement within fifteen (15) days after the end of each month.

44. Prompt preparation and submission of these statements will facilitate the timely verification of cash accounts and ensure that the balance as appearing in the books of the agency is reconciled with the bank balances.
45. Records show that Management have not submitted the Bank Reconciliation Statements (BRS) of the following Bank Accounts as follows:

Bank Account No.	Fund	Period Covered
2019-9007-21	General Fund (MDS)	Jan. to August, 2016
0192-0236-29	Garnishment	Feb. to August, 2016
0192-0046-24	Bureau of Women & Young Workers	Feb. to August, 2016
0192-0046-91	Accounts Payables	Jan. to August, 2016

46. thus, violating the provisions embodied under COA Circular No. 92-125A dated March 4, 1992 as regards to the submission of Bank Reconciliation Statements to the Office of the Audit Team Leader.
47. Late submission of the said reports causes the delay in the verification of the bank balances as recorded in the books of accounts and to verify if the recorded amount in the book reconciles with the total cash in bank.
48. **We recommended that the Accountant strictly adhere to the provisions provided under Section 74 of P.D. 1445 and COA Circular No. 92-125A dated 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 balances per books and per bank.**
49. Management informed that BRS were received only on August 2016 from Land Bank of the Philippines (LBP) and a letter was sent to the Land Bank of the Philippines requesting for the Bank statements to be provided on time to avoid being subjected to AOMs.
50. Furthermore, Management made reassurance that they will strictly adhere to the provisions of COA Circular No. 92-125A dated March 4, 1992.

Non-Renewal of Property Acknowledgement Receipt (PAR)

Property Acknowledgement Receipts (PARs) were not renewed/updated every three (3) years contrary to Section 21 of GAM, Volume I, thus, conduct of inventory taking, identification of persons responsible for government property and cross referencing of property transferred from one accountable officer to another could not be facilitated.

51. Section 21 of the GAM, Vol. 1, based on the approved Requisition and Issue Slips (RIS), the Supply and or Property Custodian shall prepare the Property Acknowledgement Receipt (PAR), to support the issuance of property to end user. The PAR shall be

renewed at least every three years or every time there is a change in accountability or custodianship of property.

52. Review of the property records showed that the Property Division have not renewed the Acknowledgement Receipt for Equipment (ARE) for equipment issued for as early as 2013.
53. In the absence of updated and pre-numbered PARs, the conduct of physical count, identification of persons responsible for government property and cross referencing of property transferred from one accountable officer to another could not be facilitated.
54. **We recommended that Management require the Property Division to strictly adhere to existing rules and regulations on the maintenance of PAR for equipment issued to DOLE personnel . Renew the PAR every three years if there is no change on property custodian and likewise issue PAR every time accountability of government property is transferred. For year 2016, pursuant to the GAM, the ARE is replaced by the Property Acknowledgement Receipts (PARs).**
55. Management made assurance that effective April 2017 they will issue a new Property Acknowledgement Receipt (PAR) to every employee and renew the same every three (3) years if there is no change on Property Custodian and likewise issue PAR every time accountability of government property is transferred.

Non-Reclassification of PPEs

Non-reclassification of property and equipment in accordance with Section 3, Chapter 10, Volume I of the Government Accounting Manual (GAM) resulted to the overstatement of the Machinery and Equipment accounts in the year end financial statements by an aggregate amount of ₱ 4,612,409.15

1. Section 3, Chapter 10, Volume I of GAM provides for the criteria for recognition of an item as PPE, to wit:

- a. it is probable that the future economic benefits or service potential associated with the item will flow to the entity;*
- b. the cost or fair value of the item can be measured reliably;*
- c. beneficial ownership and control clearly rest with the government;*
- d. the asset is used to achieve government objectives; and*
- e. it meets the capitalization threshold of ₱15,000.(emphasis supplied)xxx*

56. We verified the PPE accounts of the Department of Labor and Employment and noted that no reclassification of the machinery and equipment was made to conform to the

criteria for recognition of PPE under the GAM. We noted that the Schedules of PPE included items below ₱ 15,000.00. Applying the afore-cited criteria for an item to be recognized as PPE particularly on the capitalization threshold of ₱ 15,000, the PPE accounts in the yearend financial statements (FS) of DOLE is overstated by at least ₱ 4,612,409.15, computed based on the Schedule of Equipment as of December 31, 2016, broken down as follows:

Account Name	Acquisition Cost	Amount of PPE costing ₱ 15,000 and above	Difference/ Overage
Land	36,500.00	36,500.00	0.0
Motor Vehicles	6,061,485.71	6,061,485.71	0.0
Office Equipment	2,698,509.05	1,283,989.30	1,414,519.75
ICT Equipment	7,239,197.30	5,035,132.65	2,204,064.65
Sports Equipment	45,011.00		45,011.00
Other Machinery & Equipment	995,053.10	995,053.10	0.0
Furniture & Fixtures	944,012.00	0.0	944,012.00
Books	62,006.75	57,205.00	4,801.75
Total	18,081,774.91	13,469,365.76	4,612,409.15

57. The non-reclassification of the PPE in accordance with the abovementioned provision of the GAM resulted to the overstatement of the PPE accounts in the financial statements by at least ₱4,612,409.15 subsequently affecting the reliability of the accounts as presented in the financial statements.

58. **We recommended Management to direct the Accountant and the Supply/Property Officer to:**

Accountant

- a. **reclassify the PPE in accordance with the criteria set under Section 3, Chapter 10, Volume I of the GAM and prepare the Journal Entry Voucher (JEV) to make the necessary adjusting entries to effect the dropping of the PPE costing ₱15,000 and below;**
- b. **provide a copy of the JEV to the Property Officer together with the schedule or list of affected PPE that were dropped from the books of accounts for their subsequent dropping from the property/equipment records;**

Property/Supply Officer

- c. based on the JEV and schedule or list of PPE costing below P=15,000.00 as provided by the Accountant, drop the affected PPE from the inventory of PPE/property records;
 - d. cancel the Property Acknowledgement Receipt (PAR) or Acknowledgement Receipt for Equipment(ARE) of the affected PPE; and
 - e. prepare and issue Inventory Custodian Slip to replace the cancelled PAR/ARE.
59. Management made assurance that they will reclassify the PPE in accordance with the criteria set under GAM and will prepare the Journal Entry Voucher (JEV) to make the necessary adjusting entries to effect the dropping of PPE costing P15,000.00 and below; provide a copy of the JEV to the Property Officer together with the schedule list of affected PPE; cancel the Property Acknowledgement receipt (PAR), instead issue an Inventory Custodian Slip effective March 2017.

OTHERS

Gender and Development (GAD)

60. The Management has implemented programs for Gender and Development (GAD) for CY 2016 pursuant to Section 30 of the General Provisions of Republic Act (RA) 10717 known as the General Appropriations Act of 2011 and Joint Circular No. 2012-01 of the Department of Budget and Management (DBM), National Economic Development Authority (NEDA) and Philippine Commission on Women (PWC).
61. The Agency has a total annual appropriation of P 328,694,422.41 and five percent (5%) of the total appropriation is P 16,434,721.00, total amount incurred for GAD expenditures amounted to P 19,356,132.95 or 15% for the implementation of GAD Programs.

Senior Citizens and Persons with Disability

62. For CY 2016, the Agency expended the amount of P 2,433,504.45 for activities/programs intended for senior citizens and persons with disability as shown below:

Particulars	Amount
Kabuhayan Starter Kits for 18 people with Disabilities (PWDs) beneficiaries in the informal economy.	86,493.20
Soap making, Meat Processing & Bio-Intensive Gardening under BUB for	1,000,000.00

100 beneficiaries composed of association of Home Based Women, members of 4Ps (farmers, fisherfolks) & People with Disabilities (PEDs)	
T-Shirt printing & Computer Graphic Services under BUB for 47 members of Siay Disabled Persons League (SDPL)	224,044.00
Canteen Establishment cum Production of Bread and Pastry under BuB for 40 PWD members of United Clients Builders Association.	250,442.25
Improvement if Lemonade Processing Facility under BuB for 28 members of Ramon Magsaysay Senior Citizens Association	700,000.00
Livelihood Enhancement: Expansion of Vista SPA for 20 People with Disabilities PWDs) in Zamboanga City	172,525.00
Total	2,433,504.45

Compliance with Tax Law

63. Executive Order No. 651 dated February 16, 1981 requires every government office or agency to show full and faithful compliance with tax laws and regulations, and serve as a model to the taxpaying public. This directive was reiterated under Revenue Regulations 1-87 dated April 2, 1987 and Revenue Memorandum 8-2003 dated March 3, 2003.
64. For CY 2016, the agency complied with these directives and deducted or withheld the appropriate tax due from suppliers or contractors in accordance with the rate set under RA No. 7649 dated April 6, 1993. As of 31 December 2016, P5,080,040.51 was withheld for compensation and expanded Vat and remitted to the BIR, with breakdown shown below:

CY 2016	Compensation	Expanded Vat	Total
January	298,090.95	26,201.06	324,292.01
February	302,124.70	17,985.83	320,110.53
March	369,933.96	76,492.54	446,426.50
April	368,732.42	28,284.48	397,016.90
May	468,995.06	45,455.13	514,450.19
June	359,645.18	43,068.58	402,713.76
July	359,668.70	41,198.37	400,867.07
August	362,731.91	37,534.60	400,266.51

September	363,025.92	48,957.35	411,983.27
October	363,025.92	23,790.63	386,816.55
November	438,495.12	27,339.13	465,834.25
December	536,651.05	72,611.92	609,262.97
Total	4,591,120.89	488,919.62	5,080,040.51

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

65. For CY 2016, all mandatory deductions due to GSIS that were deducted from the salaries of officers and employees in the amount of P9,578,922.73 were timely remitted to the GSIS.

CY 2016	Withheld	Remitted
January	783,754.40	783,754.40
February	827,603.66	827,603.66
March	786,930.40	786,930.40
April	783,717.69	783,717.69
May	774,583.73	774,583.73
June	794,055.56	794,055.56
July	800,370.39	800,370.39
August	784,338.75	784,338.75
September	801,891.04	801,891.04
October	816,074.03	816,074.03
November	812,761.72	812,761.72
December	812,841.36	812,841.36
Total	9,578,922.73	9,578,922.73

Enforcement of Settlement of Accounts

66. There was no suspensions for CY 2016 for Notices of Suspension, Disallowances and Charges (NS/ND/NC) while out of the beginning balance for NDs of P 3,667,842.83 the amount of P1,027,612.90 was settled through the issuance of Notice of Settlement of Suspension, Disallowance and Charge (NSSDC) during the year, as presented in the following table:

Particulars	Beginning Balance (As of Jan. 1, 2016)	This Period January 1 – December 31, 2015		Ending Balance (As of Dec. 31, 2015)
		NS/ND/NC	NSSDC	
Notice of Suspension	0.0	0.0	0.0	0.00
Notice of Disallowance	3,667,842.83	0.00	1,027,612.90	2,640,229.93
Notice of Charge	0.00	0.00	0.00	0.00
Total	P3,667,842.83	P0.00	P1,027,612.90	P2,640,229.93

Note: Prior to CY 2009 disallowances were not included in the beginning balance.

**C. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT
RECOMMENDATIONS**

67. We made a follow-up on the action taken by the Management of DOLE Regional Office No.IX, Zamboanga City, to implement the audit recommendations of prior years and noted the following:

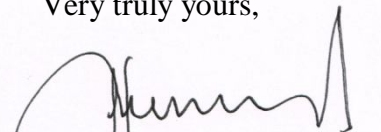
Status of Implementation	No. of Recommendation
Fully Implemented	11
Partially Implemented	3
On-going	1
Not Implemented	1
Total	16

68. The results of the validation of the implementation of prior year's recommendations are presented in Annex G.

D. ACKNOWLEDGMENT

69. We wish to express our appreciation to the Management and staff of DOLE-RO IX for the cooperation and assistance extended to our Audit Team during the audit.
70. We request that a status report (in hard and soft copy) on the action taken on the audit recommendations be submitted to the Commission within sixty (60) days from receipt hereof pursuant to Section 88 of the General Provisions of the General Appropriation Act of 2016 (RA 10717) using the attached Agency Action Plan and Status Of Implementation (Annex H).

Very truly yours,



HERNANDO M. NONO
State Auditor IV
Audit Team Leader

Copy furnished:

The Regional Director
Commission on Audit
Regional Office No. IX
Cabatangan, Zamboanga City

The Cluster Director
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Commission On Audit
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The Supervising Auditor
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The Regional Supervising Auditor
Commission on Audit
Regional Office No. IX
Zamboanga City

Appendix A - Statement of Management Responsibility

Annexes:

- A. Statement of Financial Condition
- B. Statement of Financial Performance
- C. Cash Flow Statement
- D. Statement of Changes in Net Assets/Equity
- E. Statement of Comparison of Budget and Actual Amount
- F. Notes to Financial Statements
- G. Validation of Implementation of Prior Years Recommendations
- H. Agency Action Plan and Status of Implementation