

# Construction Manpower Development Foundation

## EXECUTIVE SUMMARY

- A. The Construction Manpower Development Foundation was created pursuant to Section 7 of Presidential Decree (P.D.) No. 1746 dated November 28, 1980 as amended by Executive Orders Nos. 679 and 768, as one of the boards under the Construction Industry Authority of the Philippines (CIAP), an attached agency of the then Ministry of Trade and Industry (now Department of Trade and Industry). In February 27, 1987, Executive Order (E.O.) No. 133 reorganized the DTI and its attached agencies placing CMDF under the umbrella of National Industrial Manpower Training Council (NIMTC). Section 2 of E.O. No. 124 dated July 19, 1999, granted the Department of Trade and Industry to make operational and structural adjustments in the DTI. Under the Department Order No. 49 dated May 29, 2000, CMDF was placed under the Regional Operations Group (ROG).
- B. The agency had conducted seminars with a total of 124 runs with 3,111 graduates as follows:

Course	No. Of Runs	No. of Graduates
Constuction Management	10	144
Supervisory Development	37	1,524
Constuction Safety	12	334
Skills Training and Testing	124	1,109

Reported accomplishments were matched against plans and targets and were validated by means of matching each seminar with Memorandum of Agreements executed by and between the agency and the clients. Moreover, amount stipulated in the agreements were also matched against collections and accounts recievable.

- C. For CY 2005, CMDF reported remittances of ₱431,742.81 to the National Treasury pursuant to EO 333 dated 17 May 1996 and COA-DOF Joint Circular No. 1-97 dated 2 January 1997. The agency had collected ₱2,423,930.93 million from the training and/or seminar fees, other service income from related services and interest income. Except for interest income, collections were treated as trust receipts as per approval of the Department of Budget and Management as follows;

Seminar and trainings	₱ 2,045,709.00
Other Services	366,625.00
Interest Income	<u>11,596.93</u>
Total	<u>₱ 2,423,930.03</u>

D. For the CY 2005, the agency reported its sources and application of funds and its financial condition (comparative years) as follows:

In Million Pesos

Particulars	2005 (in million pesos)	2004 (in million pesos)	% Increase/ (Decrease) (in million pesos)	Percentage
<b>A. Major Sources of Funds:</b>				
Annual appropriations – GAA (RA No. 9336)	17.3	17.3	-	-
Subsidy Income from National Government (net) consisting of	<u>17.5</u>	<u>17.86</u>	(0.36)	(2%)
- Notice of Cash Allocation	16.1	16.8	(0.70)	(4%)
- Tax Remittance Advice	0.89	1.06	(0.17)	(16%)
Continuing appropriations	-	-	-	-
<b>B. Application of funds:</b>				
Expenses	25.4	24.5	0.9	3.54%
Personal Services	11.5	11.3	0.2	1.7%
MOOE	13.9	13.2	0.7	5.03%
Acquisition of PPE	4.6	5.9	(1.3)	(28.2%)

Accounts	2005 (in million pesos)	2004 (in million pesos)	Increase/ Decrease	Percentage
Total Assets	57.4	63	5.6	(9.76%)
Cash	1.1	1.7	0.6	(54.5%)
Receivables	1.3	1.2	0.1	7.7%
Inventories	.002	.044	.04	20%
Prepayment	.604	.552	.05	8.27%
PPE	.543	.595	.05	(9.20%)
Other Asset	-	-	-	-
Total Liabilities	2.47	2.30	0.17	6.88%
Current Liabilities	2.47	2.30	0.17	6.88%
Deferred Credits	-	-	-	-
Equity	55	60	5	(9.09%)

- E. The excess of expenses over income (subsidy) was due to the provisions for depreciation, bad debts expense, current years expense without corresponding notice of cash allocation and prior year's adjustment.

### **Scope of Audit**

- F. The audit covered the accounts and operations of the Construction Manpower Development Foundation for CY 2005. It was aimed at determining whether the financial statements present fairly the financial position and results of operations of the CMDF for the year then ended, and at determining the extent of compliance with existing laws, rules and regulations.

### **Audit Opinion on the Financial Statements**

- G. We rendered a qualified opinion on the fairness of the presentation of the financial statements due to long outstanding Accounts Receivable amounting to Php1,208,905.36 which cast doubt on the validity of the account and Other Payables in the amount of Php1,307,953.62 which were not adequately documented.
- H. These were presented below and discussed in detail in Part II of the report.

### **Summary of Observations and Recommendations**

- I. Below is a summary of audit observations and recommendations, which were well taken by Management. These were fully discussed in Part II of the report:
- a. CMDF failed to collect full payments after the training/seminar were conducted. Out of the total receivables of ₱1,208,905.36, ₱833,769.19 or 68.97% long outstanding receivables were requested by the agency for write-off to the Commission on Audit on November 22, 2005, ₱257,696.17 or 21.32% are still awaiting client's replies to the agency's demand letters and ₱117,440.00 or 9.71% of the total receivables which are covered with MOA and are still collectible remained uncollected for four to five years. (Previous year's finding).

We recommended that specific mechanisms to ensure timely payment of training/seminar fees be established. For the uncollected fees, extra efforts should be exerted in collecting the same, and proper legal action may be resorted to, to enforce collection of the accounts.

- b. Of the total cash advances of ₱166,999.09 classified under the account "Due from Officers and Employees", ₱151,936.44 or 0.91% were cash advances of officers and employees who allegedly separated from the

agency without clearance. The agency had sent demand letters to the accountable officers but some of the letters were returned for addressee are no longer in the said address.

We recommend that all actions available to the Agency be fully exhausted to locate the whereabouts of the Accountable Officers and enforce settlement of the outstanding cash advances. Further, pursuant to Inter-agency Solana Covenant per COA Memorandum No. 2005-074 dated September 15, 2005 reports of unliquidated cash advance be submitted thereon to the Civil Service Commission, Office of the Ombudsman, Presidential Anti-Graft Commission or the Department of Justice for the filing of appropriate charges.

- c. Review of the account “Other Payables” revealed that the balance of ₱1,307,953.62 were not obligations but were carry over of prior years unclassified accounts when the new government accounting system was implemented.

We recommend that the Accountant ascertain the proper accounts to which the amount of Php1,307,953.62 is to be reclassified based on the supporting documents, and effect the necessary adjustments/corrections in the books of accounts.

#### **Implementation of Prior Year’s Audit Recommendations**

- d. There were 5 prior year’s audit recommendations. Two recommendations were fully implemented, two were partially implemented, and one was not implemented. Details are presented in Part III of the report.
- e. We are reiterating the full implementation of our 2005 audit recommendations.