

# EXECUTIVE SUMMARY

## A. Introduction

The Philippine Overseas Employment Administration (POEA) is an attached agency of the Department of Labor and Employment (DOLE) responsible for optimizing the benefits of the country's overseas employment program. It was created in 1982 through Executive Order (EO) No. 797 to promote and to monitor the overseas employment of Filipino workers. The EO also integrated the functions of the abolished Overseas Employment Development Board (OEDB), National Seamen's Board (NSB), and Bureau of Employment Services (BES) into the POEA. In July 1987, EO No. 247 was issued to reorganize the POEA structure, rationalize its functions and systematize its operations.

Republic Act (RA) No. 8042, *The Migrant Workers and Overseas Filipino Act of 1995*, as amended by RA No. 10022, was passed on July 8, 2010 to define the following specific policy thrusts in the light of emerging issues:

- Guarantee of migrant workers' rights;
- Deregulation of POEA regulatory functions;
- Stricter rules on illegal recruitment activities and the corresponding penalties;
- Selective deployment;
- Repatriation of Workers;
- Reintegration Program;
- Shared government information system on migration and other basic assistance to Overseas Filipino Workers (OFWs) and their families;
- Use of information technology to facilitate dissemination of labor market information;
- Expanded grassroots outreach education program to enable potential OFWs to arrive at informed decisions;
- One-country team approach to synergize services to Filipino overseas; and
- Restructuring of systems for disposition of adjudication cases relating to overseas employment.

The said law also specifies the following major functions of the POEA:

- Regulate private sector participation in the recruitment and overseas placement of workers;
- Formulate and implement a system for promoting and monitoring the overseas employment of Filipino workers;
- Protect the rights of Filipino workers for overseas employment;
- Exercise exclusive jurisdiction to hear and decide all pre-employment cases which are administrative in character;

- Recruit workers to service the requirements for trained and competent Filipino workers of foreign governments and their instrumentalities; and
- Develop and implement programs for the effective monitoring of returning contract workers.

On top of the POEA organization is the Governing Board, which is the policy-making body chaired by the Secretary of the DOLE. The POEA Administrator is the Vice-Chairman and the representatives from the private, women, sea-based and land-based sectors serve as members.

The incumbent administrator, Hans Leo J. Cacdac, is assisted by the members of directorate composed of Deputy Administrators for Welfare and Employment, Licensing and Adjudication and Management Services. There are also four Directors for Licensing and Regulation Office, Pre-Employment Services Office, Welfare and Employment Office and Adjudication Office.

The Administration has expanded its services outside of Metro Manila through the three regional centers located in La Union for Luzon, Cebu City for Visayas and Davao for Mindanao areas. Aside from the regional centers, extension and satellite units were also established but under the jurisdiction and supervision of the said regional centers.

The six extension units are situated in Baguio, Iloilo, Cagayan de Oro, Zamboanga, Iligan and Butuan, while nine satellite offices are located in Tuguegarao, Pampanga, Laguna, Legazpi, Naga, Bacolod, Tacloban, Koronadal and Tawi-Tawi.

The regional centers, extension and satellite offices have no complete set of books, and field operating funding requirements granted through cash advances to regional office account or Local Currency Current Account to pay debts are granted in the three regional centers only to defray their field operating expenses.

The personnel complement of the POEA as of December 31, 2015 consists of 344 officials and employees. The agency also hired 174 service contractors.

## **B. Operational Highlights**

The reported accomplishments for Calendar Year (CY) 2015 of the POEA are as follows:

<b>Performance Indicators</b>	<b>Targets</b>	<b>Accomplishment</b>	<b>Percentage of Accomplishment</b>
<b>MFO 1: Overseas Employees Welfare Services</b>			
1. Number of workers monitored	2,024,744	1,822,694	90.02
- No. of Landbased workers deployed		1,470,315	
- No. of Seafarers deployed		352,379	

<b>Performance Indicators</b>	<b>Targets</b>	<b>Accomplishment</b>	<b>Percentage of Accomplishment</b>
2. Percentage of requests for assistance acted upon within 24 hours out of total number of requests acted upon	90%	100%	111.11
- No. of requests for assistance acted upon within 24 hours			
3. Number of OFWs provided with assistance	7,902	12,386	156.75
<b>MFO 2: Overseas Employment Regulation Services</b>			
<i>Licensing Program</i>			
1. Number of OFWs contracts reviewed	2,525,152	2,323,499	92.01
- No. of Landbased contracts processed		1,803,522	
- No. of Sea-based contracts processed		519,977	
2. Number of license, registration and accreditation applications acted upon	34,186	36,373	106.40
3. Percentage of licensed, registered and accredited agencies with one or more recorded complaints or licensing/accreditation breaches over the past two years	30%	8.33% (100/1,201)	27.77
4. Percentage of application processed within five days	90%	100% (311 licenses Renewed w/in PTC)	111.11
<i>Monitoring</i>			
1. Number of inspections and assessments undertaken	1,120	1,592	142.14
2. Percentage of inspections that result in one or more detected violations	30%	4.76% (69/1,448)	15.87
3. Percentage of licensed, registered and accredited agencies subject to two or more inspections in the last two years	90%	98.81% (1,181/1,201)	109.79
<i>Enforcement</i>			
1. Number of licensed, registered and accredited agencies with three or more recorded complaints or breaches over the last three years as a percentage of the total number of agencies with one or more recorded breaches or complaints	Not more than 10%	17.67% (41/ 232)	
2. Number of enforcement cases undertaken	529	427	80.72
3. Percentage of enforcement cases that result in a favorable judgment	90%	100% (427 / 427)	111.11
4. Percentage of enforcement cases resolved within 90 days	90%	100% (427 / 427)	111.11

### C. Financial Highlights

The Agency's financial position and sources and application of funds for the CYs 2015 and 2014, are as follows:

Particulars	2015	2014
<b>I. Financial Position</b>		
Assets	521,520,891.34	504,200,875.00
Liabilities	293,517,700.49	271,008,425.54
Equity	228,003,190.85	233,192,449.46
<b>II. Sources and Application of Funds</b>		
Revenue	489,593,970.03	475,380,158.39
Less: Current Operating Expenses		
Personal Expenses	236,164,564.35	216,970,844.64
Maintenance and Other Operating Expenses	140,446,817.13	132,089,427.49
Non-Cash Expenses	14,070,160.36	14,455,780.91
<b>Surplus (Deficit) from Current Operations</b>	<b>98,912,428.19</b>	<b>111,864,105.35</b>
Net Financial Assistance/ Subsidy	419,463,773.04	378,589,340.08
Gains/(Loss)	-	1,457,159.40
<b>Surplus (Deficit) for the Period</b>	<b>518,376,201.23</b>	<b>491,910,604.83</b>

For CY 2015, the POEA reported its income of ₱488,292,836.29 from issuance of On-site Overseas Employment Certificate (OEC) for the Balik-Manggagawa (BM) Processing Services and from fines and penalties. The income collected is recorded and remitted to the National Treasury, details are shown as follows:

Sources of Income	Amount
Processing Fees	442,418,125.73
Rent/Lease Income	2,567,853.20
Interest Income	50,807.86
Other Service Income	6,724,049.50
Fines and Penalties	18,682,000.00
License Fees	17,850,000.00
<b>Total</b>	<b>488,292,836.29</b>

The POEA had a total appropriations of ₱390,180,461.00 of which ₱349,615,000.00 under RA No. 10651, the General Appropriations Act (GAA) for Fiscal Year (FY) 2015, Automatic Appropriations for Personnel Services (PS) amounting to ₱16,977,000.00, Special Purpose Funds for Miscellaneous Personnel Benefits of ₱14,640,650.00 and Pension and Gratuity Fund/Terminal Leave Benefits totaling ₱8,947,811.00. Total allotments received amounted to ₱390,180,461.00. Of the total allotments, obligations amounted to ₱388,023,873.23 were incurred, thereby leaving an unobligated balance of ₱2,156,587.77. Details of the distribution of sources and application of funds are shown on the next page.

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
<b>Current Year Budget</b>				
1. Agency Specific Budget				
PS	187,707,988.00	187,707,988.00	187,694,591.60	13,396.40
MOOE	149,746,012.00	149,746,012.00	148,065,032.22	1,680,979.78
CO	12,161,000.00	12,161,000.00	11,698,945.95	462,054.05
<b>Sub-Total</b>	<b>349,615,000.00</b>	<b>349,615,000.00</b>	<b>347,458,569.77</b>	<b>2,156,430.23</b>
2. Special Purpose Funds				
Miscellaneous Personnel Benefits Fund	14,640,650.00	14,640,650.00	14,640,650.00	0.00
Pension and Gratuity Fund/ Terminal Leave Benefits	8,947,811.00	8,947,811.00	8,947,800.94	10.06
<b>Sub-Total</b>	<b>23,588,461.00</b>	<b>23,588,461.00</b>	<b>23,588,450.94</b>	<b>10.06</b>
3. Automatic Appropriations				
Retirement and Life Insurance Premium	4,124,000.00	4,124,000.00	4,123,990.99	9.01
Overseas Employment Promotion Services	4,056,000.00	4,056,000.00	4,055,989.37	10.63
Worker's Welfare Assistance and Overseas Placement Services	2,525,000.00	2,525,000.00	2,524,910.27	89.73
Licensing and Regulation Services	3,640,000.00	3,640,000.00	3,639,987.02	12.98
Adjudication Service	2,632,000.00	2,632,000.00	2,631,974.87	25.13
<b>Sub-Total</b>	<b>16,977,000.00</b>	<b>16,977,000.00</b>	<b>16,976,852.52</b>	<b>147.48</b>
<b>Grand Total</b>	<b>390,180,461.00</b>	<b>390,180,461.00</b>	<b>388,023,873.23</b>	<b>2,156,587.77</b>

#### D. Scope of Audit

The audit covered the financial transactions and operations of the POEA for the year ended December 31, 2015. 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's improvement opportunities; and (c) determine the extent of implementations of prior year's audit recommendations. We also conducted compliance audit and checked the validity and propriety of the transactions.

#### E. Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the POEA for CY 2015 for reasons stated in the attached Independent Auditor's Report and as discussed in detail in Part II of this Report.

## **F. Summary of Significant Audit Observations and Recommendations**

Among the significant audit observations and recommendations, which are discussed in detail in Part II of this report, are as follows:

1. A total amount of ₱12,669,758.02 in claims from 123 cases filed with writ of execution against 116 recruitment agencies remained unpaid at year-end due to insufficiency of escrow funds, thus, depriving 234 applicant-workers of money due them. Moreover, partial and delayed settlement of claims to 337 complainants were also noted. (Observation No.1)

**We recommended that Management: (a) conduct/undertake a thorough study to increase the escrow deposits of recruitment agencies to forestall similar cases in the future; (b) require the agency's responsible official to explain for the numerous cases of unsettled claims for refund due to various reasons; and (c) institute appropriate sanctions against the erring recruitment agencies.**

2. The alarming increase to 5,629 from 4,668 five years ago in the number of OFWs requesting for repatriation in CY 2015, with 170 OFWs still awaiting repatriation at year end, that may further expose them to the risks of abuse/maltreatment, would indicate a need for a swift and stricter implementation of the Repatriation Guidelines. (Observation No.2)

**We recommended that the Management direct the RU personnel to act immediately on all repatriation requests and monitor completion of the procedures until the workers are safely repatriated back home.**

3. Unserviceable properties with a total cost of ₱41,023,324.66 and net book value of ₱4,682,671.35 have not been disposed of depriving the agency of additional income, as prescribed under Section 79 of Presidential Decree (PD) No. 1445 and the sizeable space occupied in the stockrooms/basement area could have been cleared and put to use for other purposes. (Observation No.3)

**We recommended that the Management direct the officials responsible to: (a) device a program for disposal of unserviceable property and with time schedules; (b) revisit the existing procedures followed in disposal of property; (c) verify their status in order to justify their disposal; and (d) set the final appraised value of the property considering obsolescence, market demand, physical condition and result of previous bidding for similar property.**

4. The construction of covered waiting area and other agency process improvement which is funded through cash donations amounting to ₱6,000,000.00 received as early as May 8, 2016 from three commercial banks renting out spaces at the POEA premises had been delayed, thus depriving the immediate benefits of the project to POEA clients including OFWs. (Observation No.4)

**We recommended that Management direct the responsible officials to expedite the implementation of the project which is the subject of the Agreement to immediately address the purpose of improving the facilities for the benefit of the POEAs clients including OFWs.**

5. Excess seminar fees of ₱2,909,952.87 maintained under Trust Liabilities as of December 31, 2015 were not deposited with the National Treasury contrary to the General Provisions of RA No. 10651, the FY 2015 GAA, that prevented the government the use of these funds for other purposes. Moreover, proper reporting on collections and expenses over said activities to the DBM had not been complied with. (Observation No.5)

**We recommended that Management direct: (a) the immediate remittance of cash balances of seminar and training fees to the National Treasury, unless otherwise authorized, in compliance with the above-cited provisions of law; and (b) the submission either in printed or electronic form, of a report to the DBM on the fees collected and expenses incurred on the conduct of seminars, conferences and training programs of the Central Office.**

6. Long outstanding cash advances to officers and employees aged ten years to over 19 years totalling ₱1,372,118.62 as of December 31, 2015 were still not liquidated resulting in the overstatement of both the affected asset and expenditures accounts as of the end of the year, contrary to COA Circular No. 97-002 dated February 10, 1997. (Observation No.6)

**We recommended that Management: (a) request for write off of long overdue accounts if warranted, and following the guidelines prescribed under existing regulations; (b) strictly enforce liquidation of all cash advances immediately after the purpose of which they were granted have been served; and (c) refrain from granting additional cash advances to AO's with unsettled cash advances.**

7. Total collections in the amount of ₱13,306,400.00 from the BM online processing system in CY 2015 is unreliable due to insufficient information/data as a basis for recording in the books of account. Moreover, the intended purpose of the designed processing system may not have been fully attained due to longer processing time and low percentage of OFWs availing of the on-line services. (Observation No.7)

**We recommended that Management: (a) discuss with the ICT Head regarding online processing system for adequate check and balance, proper monitoring and improved operations to achieve its intended purpose; (b) instruct ICT Head to submit the Report of Collections to the Accounting Division on a monthly basis to avoid delay in the recording and submission of reports to the COA; and (c) instruct the ICT Head and the Chief Accountant to ensure accuracy in recording of actual collections with sufficient documentation as a basis of BM processing online system.**

8. The accuracy, reliability and validity of the balance of account Due from National Government Agencies amounting to ₱5,392,757.52 is doubtful due to the discrepancy against the balance of PS-DBM records of ₱3,530,670.80 or a total unreconciled difference of ₱1,945,801.92. (Observation No. 14)

**We recommended that the Chief Accountant and the Finance Director: (a) exert effort in reconciling the account Due from NGAs with the PS Party Ledger by coordinating with the Office of the DBM-PS; (b) analyze thoroughly the inter-agency transactions and effect the necessary adjustments in order to come up with the correct balances; and (c) properly maintain the Schedule of the corresponding GL account, Subsidiary Ledger (SL) and the GL periodically.**

9. Dormant Accounts Receivable and Other Receivables with balances of ₱7,757,547.60 and ₱570,305.70, respectively, had been overdue for over five to 30 years, making collections almost nil due to failure to intensify efforts to collect thereof. It also included uncollected rental and other fees of ₱2,058,036.07 from tenants contrary to Section 120 of the GAAM, Volume I, hence denying the agency and the government, use of additional funds to finance priority programs/projects. (Observation No. 15)

**We recommended that Management direct the Chief Accountant and other responsible officials to: (a) resort to legal means to enforce collection of long overdue accounts in coordination with the foreign offices like embassies and POLOs; (b) request for write off of the dormant receivable accounts from COA following the requirements prescribed in existing rules and regulations; (c) follow-up demand letters sent to the delinquent tenants to settle their accounts with the agency; (d) strictly monitor billings issued and demand letters sent and if possible, institute appropriate sanctions against the delinquent tenants such as non-renewal of their lease contract; and (e) coordinate with the BIR on the appropriate rulings on the withholding of taxes on rentals involving government properties.**



10. The accuracy of the reported balance of inventory accounts totalling ₱3,777,969.88 is doubtful due to the discrepancy of ₱2,344,090.36 between the physical count and the book balances, as well as other lapses noted over inventory management. (Observation No.16)

**We recommended that Management direct: (a) the Accountant and the Supply Officer to update and reconcile their records and make necessary adjustments on the discrepancies noted to reflect the correct balances of their inventory account in the financial statements; (b) the Accountant to record on a monthly basis the value of inventories issued based on the submitted RSMI; and (c) update postings to SLCs.**

11. The balance of the account Due to BIR amounting to ₱8,418,175.14 included the amount of ₱5,607,728.39 that had been dormant for many years now allegedly due to the failure of POEA Regional Extension Offices to remit taxes they withheld and/or for adjustments that have yet to be effected, thus overstating the account by the same amount. (Observation No.19)

**We recommended that Management: (a) direct the officials and staff of the Accounting Unit to review, analyze and adjust the Due to BIR account balance; and (b) exert efforts to locate pertinent records/schedules and supporting documents to verify the nature/purpose of the recorded transactions and determine the existence and validity of the balance. If the effort proves futile, request from the COA Central Office through the COA Audit Team for the write-off and/or adjustment of the account balances, supported by a list of available records and extent of validation made on the accounts as well as certification on the reasons for the absence or failure to locate pertinent books of accounts/records, financial statements/schedules and supporting vouchers/documents.**

12. Outstanding Accounts Payable of ₱36,635,285.00 aged more than two years and above were not reverted to the Unappropriated Surplus of the General Fund contrary to Section 98 of PD No. 1445 and DBM-COA Joint Circular No. 99-6 dated November 13, 1999. Moreover, the balances of Inter-Agency Payables carried over from the old Government Accounting System in the total amount of ₱5,034,968.37 have been dormant for over ten years. These resulted in the overstatement of the agency's liability account balances. (Observation No.20)

**We recommended and Management agreed to: (a) revert to the Unappropriated Surplus of the General Fund, all outstanding payables aged two years and above, without supporting documents/valid claimant or against which no actual claim, administrative or judicial, has been filed or which is not covered by perfected contracts pursuant to Section 98 of PD No. 1445 and Section 1.1 of DBM-COA Joint Circular No. 99-6; and (b) analyze the dormant balances of inter-agency payables,**

**coordinate and confirm with the other government agencies involved in the transactions and effect adjustments, where necessary.**

The foregoing audit observations and recommendations were communicated through Audit Observation Memoranda (AOM) and discussed in an exit conference with concerned POEA officials and employees on April 25, 2016. Their comments were incorporated in this Annual Audit Report, where appropriate.

**G. Status of Implementation of Prior Years' Audit Recommendations**

The status of implementation by the management of audit recommendations contained in prior years' annual audit report is summarized as follows:

<b>Status of Implementation</b>	<b>Number</b>	<b>Percentage</b>
Fully Implemented	8	25.81
Partially Implemented	12	38.71
Not Implemented	7	22.58
For Validation (Regions & POLOs)	4	12.90
<b>Total</b>	<b>31</b>	<b>100.00</b>