

EXECUTIVE SUMMARY

A. Introduction

The Department of Labor was established by virtue of Act No. 4121 enacted on December 8, 1933. It became a Ministry in 1978 and was reorganized and expanded into the Ministry of Labor and Employment in 1980. In 1986, it was renamed as the Department of Labor and Employment (DOLE) to suit the presidential form of government re-established after the EDSA Revolution in 1986.

The DOLE is mandated to formulate policies, implement programs and services, and serve as the policy-coordinating arm of the Executive in the field of labor and employment. It is also mandated to promote gainful employment opportunities, develop human resources, protect workers and promote their welfare and maintain industrial peace. Consistent with the national development plan, its vision is the attainment of decent and productive employment for every Filipino worker.

To carry out its mandate, the Department has 17 Regional Offices (ROs) with 84 Field Offices (FOs) with six Satellite Offices, 36 Philippine Overseas Labor Offices (POLOs), six Bureaus, and seven Support or Staff Services. There are also 11 agencies attached to it for policy and program supervision and/or coordination, namely: Employees' Compensation Commission (ECC), Institute for Labor Studies (ILS), National Conciliation and Mediation Board (NCMB), National Labor Relations Commission (NLRC), National Maritime Polytechnic (NMP), National Wages and Productivity Commission (NWPC), Occupational Safety and Health Center (OSHC), Overseas Workers Welfare Administration (OWWA), Philippines Overseas Employment Administration (POEA), Professional Regulation Commission (PRC), and Technical Education and Skills Development Authority (TESDA). However, by virtue of Executive Order No. 1 (s.2016), the TESDA was transferred under the supervision of the Office of the Cabinet Secretary effective June 30, 2016. The Department is headed by Secretary Silvestre H. Bello III and assisted by five Undersecretaries and six Assistant Secretaries.

In implementing its vision, mission and goals and its ROs, the DOLE has a total personnel complement of 2,827 consisting of 2,194 regular employees and 633 non-regular personnel as of December 31, 2016.

B. Operational Highlights

The Department reported, among others, the following accomplishments per Major Final Output and Performance Indicator and the corresponding fund allocation for Calendar Year (CY) 2016:

Major Final Outputs (MFOs)/ Performance Indicators (PIs)	Allocation (in '000)	Utilized (in '000)	Physical Accomplishments		% of Accom- plishment
			Target	Actual	
GENERAL ADMINISTRATION AND SUPPORT	815,538	793,417			

Major Final Outputs (MFOs)/ Performance Indicators (PIs)	Allocation (in '000)	Utilized (in '000)	Physical Accomplishments		% of Accom- plishment
			Target	Actual	
SUPPORT TO OPERATIONS	54,557	40,111			
OPERATIONS	8,160,177	5,953,160			
MFO 1: LABOR POLICY SERVICES					
➤ No. of policies updated, issued and disseminated	143,155	131,749	29	45	64.44
MFO 2: EMPLOYMENT FACILITATION AND CAPACITY BUILDING SERVICES					
➤ Special Program for Employment of Students (SPES)	766,891	618,295			
- No. of youth beneficiaries			203,000	213,912	94.9
➤ Government Internship Program (GIP)/ TUPAD	3,260,072	2,670,446			
- No. of youth beneficiaries - GIP			41,420	40,035	103.46
- No. of youth beneficiaries - TUPAD			269,776	331,210	81.45
➤ JobStart Philippines Program	106,463	10,847			
- No. of youth provided with JobStart			3,200	3,421	93.54
➤ Philippine Employment Service Office (PESO)	75,000	55,099			
- No. of qualified jobseekers referred for placement			2.019M	2.392M	84.41
➤ Employment Promotion Division (EPD)	12,794	10,317			
➤ DOLE Integrated Livelihood Program (DILP)	1,941,602	1,355,604			
- No. of beneficiaries assisted			150,000	113,316	132.37
MFO 3: LABOR FORCE WELFARE SERVICES					
➤ Adjustment Measures Program (AMP) K to 12	500,000	19,317			
- No. of displaced workers assisted			23,738	157	151.2
➤ Workers Organization Development Program (WODP)	19,786				
- No. of union members/officers granted with training		21,013	2,775	3,190	86.99
➤ Tripartism and Social Dialogue	7,546				
➤ Women Workers' Emp. Through Entrep. Dev't. (WEED)	3,000				
➤ Adjustment Measures Program (AMP)	121,886	50,825			
➤ Workers Amelioration and Welfare Divisions (WAWD)	30,150	28,399			
➤ Philippine Overseas Labor Office (POLO)	659,652	555,728			
- No. of OFWs provided with protection and services			3.500M	3.558M	98.37
➤ Reintegration Services for OFWs	102,523	62,708			
- No. of returning OFWs and/or their families provided with livelihood training and starter kits			5,050	6,563	76.95

Major Final Outputs (MFOs)/ Performance Indicators (PIs)	Allocation (in '000)	Utilized (in '000)	Physical Accomplishments		% of Accom- plishment
			Target	Actual	
MFO 4: EMPLOYMENT REGULATION SERVICES	409,657	362,811			
➤ Enforcement of Labor laws, regulation and standards	398,120	353,477			
- No. of establishments covered			76,908	60,376	127.38
- No. of workers covered as a result of inspections			4.557M	2.274M	200.4
➤ Settlement of labor disputes through collective bargaining	10,782	8,849			
- Single Entry Approach (SEnA)					
▪ Settlement Rate			77%	79%	97.47
▪ Disposition Rate			100%	94%	106.38
- Speedy and Expeditious Delivery of Labor Justice					
▪ Disposition Rate			100%	91%	109.89
➤ Adjudication of appealed cases	755	485			
Locally-Funded Projects	91,410	28,896			
➤ Skills Registry Program - BLE	28,110	20,452			
➤ Computerization Program – Planning Service (PS)	13,300	6,920			
➤ Emergency Repatriation Program - ILAB	50,000	1,524			
TOTAL NEW APPROPRIATIONS	9,121,682	6,815,584			
Add: Automatic Appropriations	298,006	188,233			
➤ Retirement and Life Insurance Premiums	89,795	90,151			
➤ Verification Fees - ILAB	208,211	98,082			
GRAND TOTAL	9,419,688	7,003,817			

C. Financial Highlights

For CY 2016, the DOLE has a total appropriation of ₱10,767,698,960.68 as provided for in the General Appropriations Act (GAA) for Fiscal Year (FY) 2016 or Republic Act (RA) No. 10717. This includes the amount of ₱208,211,000.00 sourced from collection of verification fees (VF) earned in foreign posts and recorded as income under the Special Account-Locally Funded/Domestic Grants Fund (formerly Fund 151). During the year, the Department received total allotments of ₱10,766,460,935.68, including releases for Automatic Appropriation for Retirement and Life Insurance Premiums. Of the total allotments, total obligations of ₱7,988,939,527.81 were incurred leaving an unexpended balance of ₱2,777,521,407.90 as at year-end, details as follows:

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
A. Current Year Budget				
Regular Agency Fund				
Personal Expenses (PS)	1,632,268,660.00	1,631,030,635.00	1,613,517,000.15	17,513,634.85
Maintenance and Other Operating Expenses (MOOE)	7,877,636,500.03	7,877,636,500.03	5,524,043,058.83	2,353,593,441.20

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
Capital Outlay	138,473,000.00	138,473,000.00	75,582,775.34	62,890,224.66
Sub-total	9,648,378,160.03	9,647,140,135.03	7,213,142,834.32	2,433,997,300.71
Special Accounts - Locally Funded (VF)				
PS	144,448,000.00	144,448,000.00	36,625,707.35	107,822,292.65
MOOE	63,763,000.00	63,763,000.00	61,456,294.06	2,306,705.94
Sub-total	208,211,000.00	208,211,000.00	98,082,001.41	110,128,998.59
Automatic Appropriations				
Retirement and Life Insurance Premium	103,299,663.17	103,299,663.17	102,390,294.42	909,368.78
Sub-total	103,299,663.17	103,299,663.17	102,390,294.42	909,368.78
Special Allotment Release Order (SARO) Releases				
PS	299,406,472.00	299,406,472.00	295,168,658.71	4,237,713.29
MOOE	124,800,000.00	124,800,000.00	-	124,800,000.00
Sub-total	424,206,472.00	424,206,472.00	295,168,658.71	129,037,813.29
Continuing Appropriations				
MOOE	369,043,802.38	369,043,802.38	268,859,748.99	100,184,053.39
CO	14,559,863.10	14,559,863.10	11,295,989.96	3,263,873.14
Sub-total	383,603,665.48	383,603,665.48	280,155,738.95	103,447,926.53
Total	10,767,698,960.68	10,766,460,935.68	7,988,939,527.81	2,777,521,407.90

The DOLE, thru the Bureau of Workers with Special Concerns (BWSC), also administers a Special Project Fund (SPF) under the Social Amelioration Program (SAP) for the benefit of workers in the sugar industry pursuant to RA No. 6982, the Sugar Amelioration Act of 1991.

The DOLE also received ₱9,017,202.18, as fund transfers, from the Department of Agrarian Reform for the implementation of the Self-Reliant Organizations-Comprehensive Agrarian Reform Program.

The Department's financial position and financial performance for CY 2016, with comparative figure from CY 2015, are as follows:

Particulars	2016	2015
Financial Position		
Assets	6,055,969,983.13	5,234,575,688.67
Liabilities	1,460,354,267.71	1,637,595,333.93
Equity	4,595,615,715.42	3,596,980,354.74

Particulars	2016	2015
Financial Performance		
Revenue	1,093,422,246.34	792,771,732.37
Less: Current Operating Expenses		
PS	1,640,715,624.48	1,442,685,908.29
MOOE	1,643,005,904.81	1,300,673,663.98
Financial Expenses	6,143,559.40	6,106,085.71
Non-Cash Expenses	218,507,748.25	85,745,883.61
<i>Surplus (Deficit) from Current Operations</i>	<i>(2,414,950,590.60)</i>	<i>(2,042,439,809.22)</i>
Financial Assistance/Subsidy from the National Government	7,555,729,782.18	4,255,674,504.73
Less: Financial Assistance/Subsidy to NGAs, LGUs, GOCCs	2,506,674,251.35	759,566,432.56
Net Financial Assistance/ Subsidy	5,049,055,530.83	3,496,108,072.17
Gains/(Losses)	20,487,362.53	(6,550,326.83)
Surplus for the Period	2,654,592,302.76	1,447,117,936.14

D. Scope of Audit

The audit covered the review of accounts and operations of DOLE and its ROs for CY 2016. The audit was conducted to: a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; c) recommend agency improvement opportunities; and d) determine the extent of implementation of prior year's audit recommendations.

E. Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of DOLE for the year ended December 31, 2016. The reasons stated in the Independent Auditor's Report are discussed in detail in Part II of this Report.

F. Significant Audit Observations and Recommendations

The significant observations and recommendations, among others, which were discussed with concerned Management in an Exit Conference conducted on April 24, 2017 are as follows:

1. The determination on whether or not the total allotment of ₱3,922,470,357.77 for TUPAD and KABUHAYAN Programs were effectively used for the targeted 269,776 beneficiary workers and the assurance that the program objectives were effectively obtained cannot be ascertained due to non-compliance with the provisions of the Department Order (DO) No. 137-14 series of 2014, Section 54.1 of the 2016 Revised Implementing Rules and Regulation (RIRR) of the Republic Act (RA) No. 9184 and the absence of the Physical and Financial Work Plan (PFWP) or its equivalent plan and the standardized monitoring and reporting system which

limits the conduct of validation of the program. Moreover, the provisions of livelihood in most areas were not known to be the program of the DOLE but that of the Local Government Unit (LGU) proponents/implementers because of their limited presence in the areas. (*Observation No. 1*)

We recommended that the DOLE Management:

- a. **evaluate the viability of the proposals and provide assistance appropriate to the needs of the beneficiaries and immediately release the funds for KABUHAYAN and closely supervise and validate work locations and advice the implementing units (e.g. PESO) to maximize the duration of work and provide ample time in seeking regular employment for TUPAD and fast track preparation of project proposals to maximize utilization of funds in line with the provisions of DO No. 137-14;**
 - b. **strictly adhere with Section 54.1 of the 2016 RIRR of RA No. 9184 in the procurement of livelihood supplies and materials;**
 - c. **direct the BWSC to prepare the PFWP based on the standardized monitoring and reporting system presented in budget execution documents required by the DBM; and**
 - d. **of BWSC Director and RDs to disseminate the program in conspicuous places to bring awareness on the availability of the DOLE services implemented by the PESOs of the LGUs.**
2. The allocation for GIP beneficiaries amounting to ₱1,347,695,080.23 was not fully utilized and the overall outcome cannot be validated due to defects in the Memorandum of Understanding (MOU), deficiency in regular monitoring and evaluation of the program, and the absence of database of the beneficiaries which are required by the pertinent provisions of DOLE Administrative Order (AO) No. 260 series of 2015. Moreover, despite attaining four percent above the target beneficiaries of 41,420, an underutilization of funds by ₱372,695,409.38 or 25.76 percent due to the absence of the PFWP or its equivalent was shown. (*Observation No. 2*)

We recommended that the Management direct the BLE to:

- a. **prepare the PFWP to measure the success and determine the achievements of the program and submit accomplishment, status and assessment reports;**
- b. **make aggressive monitoring of the program through regular and visible postings of the project in strategic locations in public places such as markets, churches, schools, sports facilities and the likes, and apply Strategy No. 7 stated in the DOLE performance information in the 2016 GAA;**
- c. **closely supervise and validate work locations of the interns;**

- d. **instruct Project Managers to advise the implementing units to maximize the selection of possible interns so that many will benefit from the program; and**
 - e. **encourage the government agencies to achieve the objective of the GIP by hiring those qualified interns to pursue their career in the government service.**
3. The absence of economic and financial review in proposing the ₱1,093,501,000.00 fund to mitigate the adverse impact of the K-12 Program on the Higher Education Institutions (HEIs) personnel resulted in the excessive appropriations amounting to ₱500,000,000.00 for the K-12 DOLE AMP wherein only 157 out of 632 displaced HEI personnel had availed the program from the 23,738 estimate of the Commission on Higher Education (CHED) with total fund utilized amounting to ₱19,317,597.72 or 3.86 percent financial delivery rate, leaving unutilized fund of ₱480,682,402.28. (*Observation No. 3*)

We recommended that the Management:

- a. **conduct a comprehensive study on the impact of the program in the economy and how much would it cost to reverse the effect;**
 - b. **consider reviewing the LMI for teaching personnel and look into the viability of the program for displaced workers/teachers to include other non-teaching profession; and**
 - c. **consider adjusting the excessive allocation to a more realistic amount and prospectively consider studying the viability of adopting a model country that automatically provides temporary compensation through an insurance for all those who are displaced from work (Employment Insurance System of Canada) as part of the workers' adjustment measures of the Department.**
4. The Department lacks strategies in promoting the welfare protection mechanisms for Overseas Filipino Workers (OFWs) and did not prepare plans to readily respond for emergency repatriation problems and cases which caused the growing number of unresolved distressed/stranded/displaced OFWs for not using the fund allocated from the GAA of ₱50,000,000.00 under the ERP. (*Observation No. 4*)

We recommended that the Management direct the ILAB to:

- a. **provide adequate welfare protection mechanisms for OFWs, such as creation of registry of OFWs, index profile of employers, institutionalization of the Migrant Overseas Filipino Workers' Center in POLOs, and full operationalization of the Foreign Labor Operations Information System (FLOIS) as discussed in the succeeding Observation No. 6;**
- b. **allocate appropriate funds that are readily accessible to the POLOs to meet emergency situations of the workers in foreign country;**

- c. **prepare the comprehensive PFWP for proper implementation of the program; and**
 - d. **apply strategies stated in the DOLE performance information in the 2016 GAA, specifically the following strategies on the speedy, fair, accessible and inexpensive dispute settlement; application of efficient regulatory procedure; 100 percent enrollment of livelihood beneficiaries to social security; and provide specific sustainable outcomes, better service delivery, and better management.**
5. The roadmap for the ICT Projects was not kept updated in accordance with the Information System Strategic Plan (ISSP) for CYs 2015-2017 due to the delayed implementation caused by limited manpower resources in achieving interoperability in Government Information and Communications Technology under Sections 28 and 29, General Provisions of GAA for FY 2016. Likewise, the DOLEs website is incomplete due to non-compliance with the Transparency Seal requirements of Section 99 thereof, thus, accountability and transparency was not enhanced (*Observation No. 5*)

We recommended that the Management:

- a. **require the Planning Service to oversee and closely monitor the implementation of the entire DOLE ISSP for CYs 2015-2017;**
 - b. **require the respective offices who owns the ICT projects/information systems to effectively and efficiently use the ICT programs budget;**
 - c. **consider the manpower needed in order for the systems to become operational and provide sufficient manpower complement to sustain operational efficiency of the program;**
 - d. **adhere with the Transparency Seal requirements and post in its official website all the updated accountability information reports required by the laws, rules and regulations; and**
 - e. **apply Strategy No. 19 stated in the DOLE performance information in the 2016 GAA for a definite sustainable outcomes, better service delivery and better management.**
6. The operability of the FLOIS with a contract price of ₱5,000,000.00 was not prioritized by the ILAB due to lack of coordination among managers hence, benefits that could have been derived from the system was not fully availed of despite the directive issued in Unnumbered Memorandum dated December 1, 2016 by the Department Secretary. (*Observation No. 6*)

We recommended that the Management appreciate the benefits of the FLOIS and address the issues delaying its full implementation and prioritize the full installation of FLOIS in all posts abroad so that assistance to the OFWs in

terms of information on worker's displacement, LMI, labor and welfare cases and repatriation, security, safety, as well as protection are delivered efficiently and apply Strategy No. 19 as stated in the DOLE performance information in the 2016 GAA.

7. The full cycle employment facilitation service of the JSP program originally funded by the Asian Development Bank (ADB) and the subsequent appropriation of ₱106,463,000.00, of which ₱37,440,000.00 funding support for the program in DOLE-NCR was not pursued due to failure to prepare a Capacity Development Plan required under DO No. 148-16 s. 2016. (*Observation No. 7*)

We recommended that the Management of DOLE-NCR:

- a. **implement immediately the program now that the BLE has provided the guidelines for the implementation thereof in order to attain maximum benefit both for the workers and the employers;**
 - b. **prepare and submit the Capacity Development Plan as required in Item 3 of the DO No. 148-16 s.2016;**
 - c. **coordinate extensively with the Employers and the PESOs so that the required output may be put in place;**
 - d. **prepare WFP covering the JSPP supporting the Capacity Development Plan; and**
 - e. **submit for purpose of audit the initial accomplishment of the JSP that was complemented by the ₱106,463,000.00.**
8. Of the total allocated ₱1,048,441,000.00 BuB Project fund, the amount of ₱645,540,182.30 was utilized including ₱19,804,250.00 which was implemented by 14 ineligible LGUs that did not pass the required Good Financial Housekeeping under the Seal of Good Local Governance as provided in the GAA 2016 and DBM-DILG-DSWD-NAPC Joint Memorandum Circular No. 7 dated November 3, 2015; thus, defeating the transparency in the implementation of BuB Projects. Moreover, the physical delivery rate of 30.10 percent for 276 completed BuB Projects was low due to the failure to update the implementing guidelines of the DOLE. (*Observation No. 8*)

We recommended that the Management:

- a. **update the existing implementing guidelines peculiar to align with the DBM-DILG-DSWD-NAPC JMC No. 7 dated November 3, 2015;**
- b. **fast track the implementation of 637 ongoing, pipelined, and proposed BuB projects to increase the physical delivery rate to at least 50 percent supported with monitoring and status reports though close coordination with all implementing NGAs and LGUs;**

- c. **direct the focal person designated in the Central Office to prepare PFWP to measure the success and determine the achievements of the projects;**
 - d. **create a Project Management Team under the OSEC that will coordinate with the four bureaus in the overall implementation of the projects; and**
 - e. **direct the concerned DOLE-ROs to scrutinize eligibility of the LGUs to implement BuB projects specific to compliance with the Good Financial Housekeeping.**
9. Most JSKs were defective and not operational due to unavailability of internet connection and absence of instruction manual on how to use the kiosks and most units were located in inconspicuous places, thereby, the employment facilitation strategy did not materialize in giving job vacancy information service to jobseekers and the general public. Moreover, liquidated damages amounting to ₱3,160,080.00 and ₱1,988,976.00 were not charged the contractor, Integrated Energy Systems and Resources, Inc. for the late delivery of 200 units of new JSKs and for 110 refurbished units, with delays ranging from 70 to 660 days. (*Observation No. 9*)

We recommended that the Management direct the BLE to:

- a. **demand for a copy of the Instruction Manual on the use and maintenance of the JSKs;**
 - b. **follow up the Integrated Energy Systems and Resources, Inc. to immediately facilitate the repairs of the JSKs as requested by the focal point of various ROs allocated with the units to achieve the ultimate objective of the program which is to provide information service to jobseekers and the general public;**
 - c. **conduct monitoring of JSKs units and sustain its maintenance for continued service to jobseekers; and**
 - d. **impose liquidated damages to the contractor as stipulated in the contract which is equivalent to 1/10 of one percent of the cost every day of delay in the delivery of 200 and 110 units of JSKs to various DOLE ROs and selected government offices in the total amount of ₱3,160,080.00 and ₱1,988,976.00, respectively.**
10. The SRO-CARP whose objectives were to assist the agrarian reform farmer beneficiaries to develop competencies and organizational strengths in Agribusiness Management and Development, Alliance and Partnership Building and Social/Community Empowerment, is not within the competency of DOLE, whereby, the funds received for the program from the Department of Agrarian Reform (DAR) totaling ₱17,605,013.18 were not fully implemented as planned. (*Observation No. 10*)

We recommended that the Management:

- a. engage in undertakings that is within the competencies of the DOLE personnel;**
 - b. require the ROs to submit their PFP showing the status of implementation of the SROs-CARP Project on time on a monthly basis required under COA Circular No. 94-013;**
 - c. encourage ARBs to engage in the projects connected to the land distributed and awarded to them by the government; and**
 - d. revisit the objectives of the program and look for the proper role where the DOLE mandate can properly fit in.**
11. Collections of income including Verification Fees (VF) of Labor Attaché (LabAtt) in 12 posts totaling ₱438,892,796.92 were not deposited intact, with a total deposits of only ₱861,067.65 thereby showing undeposited amount of ₱3,414,866.13 contrary to Section 3.7.2 of DOLE/DFA/DBM/DOF/COA Joint Circular No. 3-99 dated September 28, 1999. Undeposited collections that were not remitted beyond the prescribed period may result in the loss of government funds when not monitored consistently. (*Observation No. 12*)

We recommended that the Management require the accountable LabAtt/Collecting Officer to:

- a. deposit the ₱3,414,858.13 immediately;**
 - b. conduct monitoring of inactive/unremitted collections regularly until they have fully complied with; and**
 - c. require the concerned LabAtt of the corresponding POLOs to remit all collections intact**
12. Delays of 266 to 356 days were incurred on the remittances of CY 2015 excess VF collections due on the first week of the ensuing year deposited in the foreign currency bank accounts of the POLOs to DOLE-LBP VF Fund amounting to ₱346,739,209.95 which deprived the government of the immediate augmentation of funds needed for the implementation of priority projects, contrary to Section 4.1.3 of DOLE/DFA/DBM/DOF/COA Joint Circular (JC) No. 3-99 and Item P, Section 64 of AO No. 168. (*Observation No. 13*)

We recommended that the Management require the LabAtt to:

- a. coordinate with the FMS and ILAB to facilitate timely remittances of the excess VF;**
- b. use the FLOIS to monitor status of funds so that the LabAtt and the FMS/Management can easily reconcile their respective records; and**

c. regularly comply with the aforementioned requirements within five days after the end of the year in accordance with the provisions of DOLE/DFA/DBM/DOZF/COA JC No. 3-99.

13. Out of the total cash account balances of ₱1,924,551,633.88, the amount of ₱546,563,543.30 representing Cash in Bank–Local Currency, Current Account is unreliable due to: a) continued failure to reconcile the differences in amounts recorded in the books compared with those recorded and confirmed by respective depository banks; and b) inclusion of funds deposited without legal basis pursuant to Section 11 of the General Provisions of the GAA for FY 2016. (*Observation No. 14*)

We recommended that the Management require the Accountant to:

a. reconcile the cash balance by account per accounting records with the bank statement balance regularly and immediately prepare adjusting/correcting journal entries on the reconciling items that require book adjustments and communicate with the bank those reconciling items and account that need to be corrected by the bank; and

b. close the unauthorized bank accounts and remit to the National Treasury the remaining outstanding cash balances in accordance with the guidelines and procedures prescribed under COA Circular No. 2015-001 and Section 11 of the General Provisions in the GAA.

14. The loans and interest receivable totaling ₱179,336,866.66 granted to various labor organizations in 1995 to 1997 is considered dormant pursuant to COA Circular No. 2016-005 and is of doubtful collection due to failure of Management to apply the provisions specific to loans stated in the DOLE DO No. 26 Series of 1995 dated October 23, 1995. (*Observation No. 15*)

We recommended that the Management:

a. require the BLR to report on the status of the WODP Project and perform legal confirmation of loans;

b. enforce collection of loan balances including interest;

c. pursue collection on those Labor Unions with criminal cases filed against them; and

d. for the Accountant to analyze the accounts and review guidelines on the dormant accounts in accordance with COA Circular No. 2016-005 and make proper recommendations to Management on appropriate disposition of the accounts.

15. Balances of Advances for Operating Expenses, Advance for Payroll, Advances to Special Disbursing Officers (SDOs) and Advances to Officers and Employees totaling ₱256,889,763.56 which includes additional advances that were granted to the same officials with outstanding unliquidated cash advances in previous year, were not liquidated at year-end in violation of Section 5.8 of COA Circular No. 97-002 and Section 89 of PD No. 1445, thus, the risk elements of unreported, unaccounted and misappropriated funds are highly probable. (*Observation No. 16*)

We recommended that the Management:

- a. **demand for the immediate liquidation of all balances of cash advances;**
 - b. **cause the withholding of the salaries of all AOs with unliquidated advances pursuant to Section 5.9 of COA Circular No. 97-002 dated February 10, 1997;**
 - c. **closely monitor the settlement/liquidation of cash advances by imposing sanctions to AOs to enforce liquidation of their accounts; and**
 - d. **stop the granting of cash advances to AOs with outstanding unliquidated cash advances.**
16. The Due from National Government Agencies, Government Owned and Controlled Corporations, Local Government Units and Non-Government Organizations/ People's Organization account balances with a total of ₱2,813,420,107.01 are of doubtful collectability due to the length of time the liquidations/settlements were not pursued in accordance with Sections 5.3 and 5.4 of COA Circular No. 2007-001 dated October 25, 2007 and for failure of Management to issue final notice and demand letters for the liquidation of all funds transferred to Implementing Agencies (IA) including financial assistance outstanding pursuant to COA Circular No. 94-013. Moreover, the account Due from National Government Agencies in Central Office is overstated by ₱5,332,535.51 due to unreconciled difference with the Department of Budget and Management-Procurement Service (DBM-PS) records and overpayment by ₱7,326.05 in RO XIII for short delivery by DBM-PS. (*Observation No. 17*)

We recommended that the Management require the respective Directors to account for the funds entrusted to the NGAs, GOCCs, LGUs and NGOs/POs to be able to account whether the purpose for which the funds were transferred have been complied with and implemented in accordance with the MOA/MOU signed by both the SA and the IA. In addition, the Management:

- a. **demand for the immediate liquidation of all balances of Inter-agency Receivables including the Due from Non-Government Organizations/ People's Organization;**
- b. **closely monitor the settlement/liquidation of fund transfers; and**

c. stop the granting of cash advances to GOs and NGOs/POs with outstanding unliquidated receivables.

17. The Inventory accounts totaling ₱55,681,197.25 is of doubtful existence due to failure to conduct the physical count, non-preparation and submission of a reconciled Report on the Physical Count of Inventories (RPCI) at year end contrary to the provisions of Section 13, Chapter 8, Volume I of the GAM. (*Observation No. 18*)

We recommended that the Management require the:

- a. Property Officer to conduct annual physical inventory taking and submit report, purchase/procure office supplies in bulk good for the two quarters to avail of any discounts based on the Annual Procurement Plan (APP);**
- b. Accounting Unit to account for the unreconciled amount of ₱855,350.50 and prepare journal entries on the noted difference; and**
- c. Property Officer to maintain a Stock Card to record all deliveries received and issuances of stock to be reconciled with the accounting records.**

18. Land account was understated by ₱49,099,550.00 due to non-recognition in the books of accounts and non-disclosure in the Notes to Financial Statements the fair value of the two parcels of land with a total land area of 2,283.70 square meters. (*Observation No. 20*)

We recommended that the Management:

- d. pursue the request for transfer of the land title over the Arlegui lots to the Department totaling 2,283.70 sq. m. and accordingly disclose the value of the two parcels of land; and**
- e. comply with the provisions of Section 48, Chapter 10, Volume I of the GAM.**

19. The Buildings account balance of ₱166,821,450.60 as of December 31, 2016 is understated due to recording as outright expense of the major repairs amounting to ₱29,785,163.55 and non-recording of Construction in Progress for the two on-going repairs of the buildings amounting to ₱2,604,359.97 contrary to the provision of Section 24, Chapter 10, Volume I of the GAM. Moreover, ownership to the property located in the 6th Floor BF Condominium, Intramuros amounting to ₱13,542,580.00 were recorded in the books despite insufficient documents to support ownership of the building, thus, rendering the account doubtful. (*Observation No. 21*)

We recommended that the Management direct the Accounting Division to make the necessary adjustments to the Buildings account as a result of major repairs to correct the carrying amounts of the account in accordance with the provision of Section 24, Chapter 10, Volume I of the GAM; and the

Administrative Services to initiate the processing of the documents necessary for the transfer of ownership of the Condominium in the name of DOLE

20. The balance of the Motor Vehicles account totaling ₱179,555,326.60 is understated due to: a) unaccounted 26 units of motor vehicles totaling ₱21,135,929.50; b) unrecorded two motor vehicles amounting to ₱512,377.00; and c) erroneous recording of one unit of motor vehicle by a difference of ₱5,936.39, thereby, affecting fair presentation of the account in the financial statements contrary to the provisions of paragraphs 37 and 94 of PPSAS 17. (*Observation No. 22*)

We recommended that the Management:

- a. **direct the Property Division to coordinate with the FMS for property records and fully account for all properties located at the DOLE-CO and POLOs;**
 - b. **instruct ILAB to require LabAtt to comply with the regular reporting requirements on all properties located at the POLOs;**
 - c. **direct the Accounting Division to reconcile the records and make the necessary adjustments on the understatement of motor vehicle to record at cost pursuant to paragraphs 37 and 94 of PPSAS 17; and**
 - d. **comply with the provisions of paragraphs 37 and 94 of PPSAS 17.**
21. The Other Assets account balance of ₱27,716,284.54 is overstated by ₱15,011,005.00 due to misclassification of accounts of Intangible Asset, Other Receivables and Inventory accounts and non-provision of amortization and any impairment loss for the Systems Software contrary to Section 15, Chapters 2 and 12, Volume I of the GAM, thus, affecting the fair presentation of the financial statements. (*Observation No. 24*)

We recommended that the Management:

- a. **complete and submit to the Audit Team the data/information on the undocumented/unaccounted Other Assets amounting to ₱4,857,995.54 and also submit the IIRUP for equipment to be disposed amounting to ₱330,294.71;**
- b. **prepare necessary adjusting journal entries for the misclassification of the Intangible Assets, Other Receivables and Inventories accounts totaling ₱15,011,005.00;**
- c. **determine the cost of development of the Copyrights by six ICGs which should be recognized as Intangible Assets and reclassify the cost of the publication of the six ICGs as Inventory Held for Distribution and account for the remaining inventories, if any;**

- d. determine and recognize accumulated amortization and impairment losses associated with the intangible assets; and**
 - e. set-up Receivable account for the payment made to Admired Technologies, Inc. and enforce the settlement of the unfinished project.**
22. The validity of liability accounts amounting to ₱1,419,194,900.14 is uncertain due to: a) unreverted payables outstanding for more than two years and undocumented payables of ₱80,150,424.92; b) unreconciled difference between the book and confirmed balances of accounts with the National Government Agencies and Government-Owned and Controlled Corporations amounting to ₱22,032,884.29 and unaccounted balance of ₱2,346,506.29; and c) existence of negative balance amounting to ₱3,563,519.37, thereby, affecting the reliability of the information and fair presentation of financial statements. (*Observation No. 25*)

We recommended that the Management direct the Accounting Division to:

- a. revert to the General Fund those accounts that have been outstanding for more than two years and no actual claim, administrative or judicial has been filed or which is not covered by perfected contract on record;**
 - b. comply with guidelines provided in COA Circular No. 94-013 in the proper liquidation of inter-agency fund transfers; and**
 - c. make an in-depth analysis of the accounts with negative balance and prepare appropriate adjusting journal entries.**
23. The accounts Gain on Foreign Exchange (FOREX) and Loss on FOREX amounting to ₱32,750,133.00 and ₱11,875,434.19, respectively, were not presented on a net basis contrary to the provisions of Section 5, Chapter 16 and Section 11, Chapter 19 of the GAM. Likewise, refunds of ₱4,371,802.91 from excess Telegraphic Transfers (TT) to the POLOs were erroneously credited to the Gain on FOREX account, thereby misstating the expenses incurred for the year. (*Observation No. 26*)

We recommended that the Management:

- a. direct the Accounting Division to make the necessary adjustments for the accounts affected in recording the account Gain on FOREX to come up with the correct information as presented in the financial statement;**
- b. discontinue the practice of recording the excess amount of FT into dollar currency as income from foreign exchange rate; and**
- c. report the Gain and Loss on FOREX on net basis pursuant to Section 11, Chapter 19 of the GAM.**

G. Summary of Audit Suspensions, Disallowances and Charges

As of December 31, 2016, DOLE had total unsettled suspensions, disallowances and charges of ₱152,568,119.63, ₱47,738,008.83 and ₱3,987.52, respectively.

H. Status of Implementations of Prior Year's Audit Recommendations

Of the 59 audit recommendations embodied in the prior year's Consolidated Annual Audit Report, 16 were fully implemented, 35 partially implemented, and eight were not implemented as shown below. The details of prior year's recommendations are discussed in Part III of the Report.

Status	Number	Percent
Fully Implemented	16	27.12
Partially Implemented	35	59.32
Not Implemented	8	13.56
Total	59	100.00