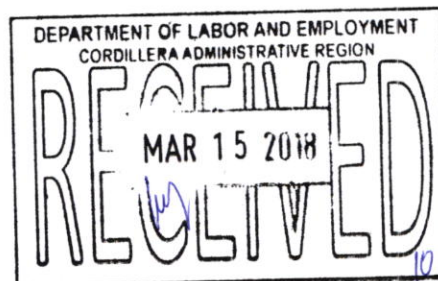




Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

March 13, 2018

EXEQUIEL RONIE A. GUZMAN
OIC Regional Director
Department of Labor and Employment
Cordillera Administrative Region
Baguio City



Sir :

We are pleased to transmit the Management Letter on the audit of the Department of Labor and Employment - Cordillera Administrative Region (DOLE CAR) for the period January 1 to December 31, 2017 in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445.

The audit was conducted in accordance with Philippine Public Sector Standards on Auditing and we believe that it provided reasonable basis for the results of our audit.

The letter consists of Summary of Recommendations, Detailed Observations and Recommendations, Status of Implementation of Prior Year's Unimplemented Audit Recommendations, and Audited Financial Statements. The observations and recommendations were discussed with the management officials and staff during the exit conference held on March 7, 2018, whose comments were incorporated in the letter, where appropriate.

The most significant observations are summarized as follows:

- 1) The 2016 audit recommendations on cash advances were not fully implemented, thus, advances amounting to ₱3,058,490.11 remained unliquidated as of December 31, 2017;
- 2) The weighted average method was not adopted in costing inventories, the movement of inventory was not properly recorded in the Supplies Ledger Cards (SLCs), and the SLCs and the controlling accounts were not reconciled. As such, the balance of Inventories and the amount of Supplies and Materials Expenses as appearing in the books were not correct;
- 3) Money claims recovered for employees of a certain firm amounting to ₱323,573.00 that were already disbursed in 2011 remained as part of the Trust Liabilities account because the Schedule of Money Claims, which was the basis of recording the accounts in the books, was not verified. As such, the balance of the account was overstated by the same amount;

- 4) Funds amounting to ₱101.10 million transferred during the year and in the prior years to 126 other agencies and to six people's organizations that could be liquidated within three months remained as Receivables in the books because 22 implementing agencies did not yet utilize the funds amounting to ₱52.02 million, and the rest of the recipients did not submit the liquidation documents despite the issuance of demand letters; and
- 5) Ten organizations that were granted ₱4.96 million livelihood assistance representing 31.25 percent of the 32 POs visited were not operating because the materials and equipment for their livelihood were not yet delivered by the LGU-partners, items provided were not complete, and there were no places to operate. Further, four POs with assistance granted of ₱1.80 million were not utilizing some of the materials and equipment because these were defective, unsuitable, and rusty.

The details of these findings and the other observations are discussed in the Detailed Observations and Recommendations portion of the letter.

We request that the recommended remedial measures be immediately implemented and we will appreciate being informed of the actions taken thereon by submitting within 60 days from receipt hereof the duly accomplished Agency Action Plan and Status of Implementation form herein attached.

We express our appreciation for the cooperation extended to the audit team by the officials and staff of the agency.

Very truly yours,



QUEEMY F. NADUNOP
Regional Supervising Auditor
NGS Cluster 5





Republic of the Philippines
COMMISSION ON AUDIT
CORDILLERA ADMINISTRATIVE REGION
NGS Cluster 5 – Education and Employment
Audit Team No. CAR-19 – DOLE CAR
Baguio City

CONFIDENTIAL

March 12, 2018

MR. EXEQUIEL RONIE A. GUZMAN

OIC Regional Director
Department of Labor and Employment
Cordillera Administrative Region
Baguio City

Dear Director Guzman:

Management Letter on the Audit of the
Department of Labor and Employment
Cordillera Administrative Region
For the period January 1 to December 31, 2017

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 1445), we have audited the accounts and operations of the Department of Labor and Employment - Cordillera Administrative Region (DOLE CAR) for the period ended December 31, 2017. The audit was conducted in accordance with applicable legal and regulatory requirements, and the Philippine public sector standards on auditing. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted to (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.
3. Deficiencies observed in the course of the audit were earlier communicated through Audit Observations Memoranda (AOMs) and discussed in an exit conference conducted on March 7, 2018 with concerned DOLE CAR officials and employees. Their comments were incorporated in this letter, where appropriate. The significant audit observations and recommendations shall be incorporated in the Consolidated Annual Audit Report (CAAR) of the DOLE for CY 2017.