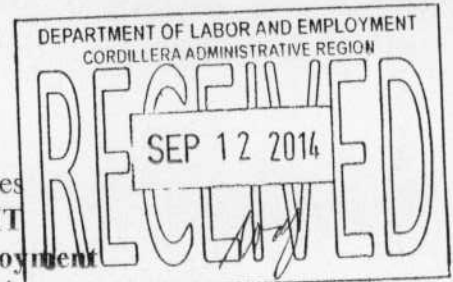




Republic of the Philippines  
**COMMISSION ON AUDIT**  
**Department of Labor and Employment**  
Cordillera Administrative Region  
La Trinidad, Benguet



June 23, 2014

**MR. HENRY JOHN S. JALBUENA**  
Regional Director  
Department of Labor and Employment-CAR  
Baguio City

Dear **Director Jalbuena**:

**Management Letter on the Audit of the  
Department of Labor and Employment-CAR  
For the Calendar Year 2013**

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, 2013. 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 led by Ms. Bellaflor P. Coloma, State Auditor IV, 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. The Agency's financial condition, results of operations and cash flows as of December 31, 2013 are shown in the attached audited financial statements (Annexes A-E).
4. Deficiencies observed in the course of the audit were earlier communicated through Audit Observations Memoranda (AOMs) and discussed in an exit conference with concerned DOLE-CAR officials and employees on March 14, 2014. Their comments were incorporated in this Management Letter, where appropriate. The significant audit observations and recommendations shall be incorporated in the Consolidated Annual Audit Report (CAAR) of DOLE for CY 2013.

## A. INTRODUCTION

### Agency Mandate

1. The DOLE started as a small bureau in 1908. It became a department on December 8, 1933 with the passage of Act 4121. It is the national government agency mandated to formulate and implement policies and programs, and serve as the policy-advisory arm of the Executive Branch in the field of labor and employment.

2. In line with the 1986 Constitutional mandate and the policies set forth in the National Development Plan, its mission is to promote social justice and protect human rights and respect for human dignity through the insurance of workers' protection and welfare; promotion of full employment and manpower development; maintenance of industrial peace; and enhancement of workers' participation in policy making. It consists of the Office of the Secretary, seven bureaus, six services, 12 attached agencies, 36 overseas offices and 16 regional offices, including DOLE-CAR.

### Personnel Complement

3. The RO is under the leadership of Regional Director Henry John S. Jalbuena. For CY 2013, it was manned by 58 permanent personnel and 3 Job Orders assigned to the different divisions/units, namely: Internal Management and Service Division (IMSD); Technical Support Services Division for Employment and Welfare (TSSD I); Technical Support Services Division for Labor Relation and Standards (TSSD II); Med-Arbitration Unit; and Provincial Extension Offices of Abra, Baguio-Benguet, Ifugao, Kalinga-Apayao, and Mt. Province.

### Major Accomplishments

4. For CY 2013, DOLE-CAR reported the following accomplishments, among others:

- The DOLE-CAR, through its network of employment intermediaries and/or providers and various programs and services, facilitated the placement of a total of 102,208 workers in either wage (93,624) or self-employment (8,584), to wit:

Employment Intermediaries/Providers	Targets	Accomplishments	%
Public Employment Service Office (PESO)	53,579	68,833	128
Contractors/sub-contractors	13,000	20,315	156
Special Program for the Employment of Students (SPES)	4,171	4,476	107
DOLE Integrated Livelihood Program (DILP)	6,157	8,584	139

- DOLE-CAR was able to conduct 23 job fairs, institutionalized five PESOs, continued capacity building with the PESOs in all Local Government Units (LGUs) in the region in support of the SPES.

- DOLE-CAR sustained cooperation between Labor and Employer;
  - a. Maintained zero strikes in the whole region, unionized establishments with registered Collective Bargaining Agreements (CBAs) submitted self-assessment checklist, inspected 832 establishments or 101 percent.
  - b. Conducted 26 orientations on Technical Assistance Visits (TAV) with 914 participating establishments, 43 seminars on Continuing Labor Education Seminar (CLES) participated by 1,652 representatives of both management and workers from 1,010 companies, 760 companies were benefitted on 27 advocacies on Labor Relations, Human Relations and Productivity (LHP) and 23 seminars on LHP with 923 workers beneficiaries from 779 companies.
  - c. A total of 413 Construction Safety and Health Program (CHSP) submitted were acted upon within the five-day process cycle time or 100 percent accomplishment; 96 construction workers were trained as Safety Officers under the Occupational Safety and Health (OSH) Practitioners Accreditation Program.
  - d. A total of 13,147 college graduating students from 65 different schools/institutions were given labor education seminars.
  - e. Implemented the Kapatiran-Wise-TAV Program in three large companies that are fully compliant with labor standards became as “Big Brothers” to 14 small enterprises as their “Small Brothers”.
- The Region has continuously worked towards its sustainability by promoting social partnerships through its various programs, and providing dispute resolution services;
  - a. DOLE-CAR disposition rate for Labor Standards (LS) cases was maintained at 100 percent.
  - b. Under the Single Entry Approach (SeNA) cases DOLE-CAR has achieved a settlement rate of 75 percent as against the annual target of 70 percent.
- DOLE-CAR has promoted social protection and provide welfare services to workers in the informal economy and to the kasambahays;
  - a. A total of 180 children- at- risk of becoming child laborers were provided with educational assistance of ₱2,000.00 each and two child laborers were removed from their oppressive work places through the Sagip Batang Manggagawa (SBM) Team.

- b. Facilitated the enrollment of 11,248 workers to government's various social security programs.
- c. Ensured protection to would-be Overseas Filipino Workers (OFWs), 147 Anti-Illegal Recruitment-Trafficking in Persons (AIR-TIP) advocacies reached 10,891 individuals, exceeding by 30 percent the annual target of 8,400.

### Financial Profile

5. The RO's financial condition, results of operations, and sources and uses of funds for CY 2013 with comparative figures for CY 2012 are presented below:

Particulars	CY 2013	CY 2012	Increase (Decrease)
<b>A. Financial Condition</b>			
Assets	₱74,550,979.49	₱64,876,177.88	₱ 9,674,801.61
Liabilities	4,151,919.26	5,584,443.86	(1,432,524.60)
Government Equity	70,399,060.23	59,291,734.02	11,107,326.21
<b>B. Results of Operations</b>			
Total Income	91,654,883.40	89,777,849.84	1,877,033.56
Total Expenses	60,979,786.30	58,481,354.95	2,498,431.35
Excess of Income over Expenses	30,675,097.10	31,296,494.89	(621,397.79)
<b>C. Sources and Application of Funds</b>			
<b>Sources of Funds:</b>			
Continuing:			
Maintenance and Other Operating Expenses (MOOE)	53,996.33	564,400.12	510,403.79
Capital Outlay (CO)	0.00	0.00	0.00
<b>Total</b>	<b>53,996.33</b>	<b>564,400.12</b>	<b>510,403.79</b>
Current:			
Personal Services (PS)	29,479,311.00	28,086,558.60	1,392,752.40
MOOE	58,286,528.02	56,107,250.00	2,179,278.02
CO	3,097,750.00	809,000.00	2,288,750.00
<b>Total</b>	<b>90,863,589.02</b>	<b>85,002,808.60</b>	<b>5,860,780.42</b>
<b>Application of Funds:</b>			
Continuing:			
PS	0.00	0.00	0.00
MOOE	53,996.33	564,400.12	510,403.79
CO	0.00	0.00	0.00
<b>Total</b>	<b>53,996.33</b>	<b>564,400.12</b>	<b>510,403.79</b>
Current:			
PS	28,824,286.61	28,040,689.87	783,596.74
MOOE	56,939,957.31	56,053,253.67	886,703.64
CO	3,097,500.00	809,000.00	2,288,500.00
<b>Total</b>	<b>88,861,743.92</b>	<b>84,902,943.54</b>	<b>3,958,800.38</b>

## B. SUMMARY OF RECOMMENDATIONS

6. For the significant deficiencies observed in the course of the audit, we have recommended that Management:

- a. Require the Accountant to revert the balance of SPES Account to the National Treasury; discontinue the practice of transferring MDS funds to the LBP Current Account; and close the account unless authority is obtained from the Permanent Committee for maintaining such account.
- b. Require the concerned government agencies to immediately submit their duly audited liquidated reports for funds received and direct the program implementers/facilitators to exert utmost efforts to monitor the implementation of the projects and assist the beneficiaries in the preparation and consolidation of their terminal/liquidation reports to ensure correctness of liquidation reports and immediate/prompt submission of liquidation reports.
- c. Strictly comply with the guidelines prescribed under Items 7.1.2 and 4.4.4 of DBM Circular Nos. 2012-4 and 2013-4 and other related laws in the grant of CNA incentives. Ensure that 20 percent of the total MOOE savings of the RO is reverted to the General Fund, and the grant of CNA Incentive is properly taken up in the agency's books of accounts.
- d. Require the concerned employees to refund the amount equivalent to the taxes that should have been deducted from the 2013 CNA Incentives granted to them and remit the same to the BIR. Henceforth, strictly observe the provisions of Memorandum Circular No. 46-2013 dated May 26, 2013 on the withholding of taxes from CNA Incentives.
- e. Require the seven DOLE-CAR personnel to refund the amount of ₱10,000.00 per employee representing the amount paid for Loyalty Incentive Award in excess of the prescribed rate; revisit the CSC-approved DOLE PRAISE and amend the provisions which are not in accordance with CSC MC No. 6, series of 2002; and henceforth, strictly adhere to the provisions of CSC MC No. 6 series of 2002.
- f. Ensure that checks for livelihood assistance are immediately released to ACPs/beneficiaries in order not to cause delay in the implementation of the projects.
- g. Ensure that the responsibilities of the parties under the MOAs are complied with. Conduct regular monitoring, visitation and inspection of projects being implemented and validate accomplished reports being submitted by the ACPs to determine the efficient and effective implementation of funded projects.
- h. Comply with the prescribed mode for the payment of salaries of student-beneficiaries. Refrain from implementing other modes of payment without covering revisions/amendments to RA 9547.

