

National Labor Relations Commission

Banawe Avenue, Quezon City

COMMENTS AND ACTIONS TAKEN ON AUDIT OBSERVATION MEMORANDUM (Preliminary posting until receipt of Consolidated Annual Audit Report (CAAR) for 2018) For the Calendar Year 2018 As of May 28, 2019

AOM No.	OBSERVATION	RECOMMENDATION	COMMENTS/ACTIONS TAKEN
2019-001 (2018) 31 January 2018	Cash Advances amounting to ₱126,239.43 and ₱12,380.00 reported as Advances to Special Disbursing Officers and Advances to Officers and Employees respectively remained outstanding for more than ten (10) years, casting doubts as to their existence and validity, contrary with Section 89 of Presidential Decree (PD) No. 1445 and COA Circular No. 97-002 dates February 10, 1997.	We recommend that Management should adhere strictly to Section 89 of PD 1445 and COA Circular 97-002 dates February 10, 1997 on the settlement of cash advances. If collectability of the above cash advance can no longer be ascertained, management may consider to request for write-off these dormant unliquidated cash advances following the requirements prescribed in COA Circular 2016-005 dated December 19, 2016.	We agree with the audit recommendation to file a request for authority to write-off dormant or long outstanding unliquidated cash advances for the following accountable officer/employee and justify write-off of irreconcilable amounts: a. Unliquidated Petty Cash Funds of former cashier Rosemarilou D. Gertes amounting to ₱17,000.25. With her reassignment to other office in 2006 and subsequent dismissal from service, this petty cash can no longer be accounted and liquidated;

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			<p>b. Advances to Officers and Employees in the amount of ₱12,380.00 for travel granted to Mr. Jerson Sonata who resigned/separated from service in 2006. Despite demand letters sent to his last known address, there was no reply received from him and information of his current whereabouts cannot be ascertained;</p> <p>c. The amount of ₱109,239.18 represents reconciling items between General Ledger and Subsidiary Ledger records. Verification of this amount to determine the officer or employee accountable yielded negative results. This amount has been long unaccounted despite efforts to trace back the transactions thus warrants a necessary adjusting entry to close the unreconciled account in accordance with Sub-section</p>

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			7.3 of COA Circular No. 2016-005.
2017-002 (2018) 15 March 2018	A discrepancy of ₱60,869,270.06 was found between the balances of the Trust Liability account balance of ₱1,543,327,175.72 as per General Ledger (GL) and that of the Subsidiary Ledgers (SLs) balance of ₱1,482,457,905.65 due to recorded Execution Fees without SLs and supporting records, hence, the validity of the balances was not ascertained. Moreover, the Ageing of the account balance showed that ₱201,869,001.62 out the total ₱1,482,457,905.65 Judgment Award or 13.62 percent remained unclaimed for more than 10 years and considered already dormant as of December 31, 2018.	We recommend that the Management: A. Direct the Accounting Unit to maintain a separate SL for collected Execution Fees and Cash Bonds and Fiduciary Awards; B. Ensure that the date of collection of the Judgment Awards are properly indicated in the Subsidiary Ledger for aging purposes; and C. Expedite the creation of clear policies/guidelines on the treatment of seemingly dormant Cash Bonds and Fiduciary Awards.	A. The discrepancy of ₱60,869,270.06 between the General Ledger (GL) and Subsidiary Ledger (SL) amounts are attributable to the following: 1. Cancellation of Staled checks with total amount of ₱13,409,756.35 from March 2009 to June 2017 were reverted to Trust Liabilities account under JEV No. 2018-03-145-N dated 28 March 2018 in the GL but not yet posted in the SL of individual cases. Likewise, on 30 September 2009 long outstanding checks issued on various dates from 2004 to 2008 were reverted back to Trust Liabilities (formerly accounted under Other Payables) account under JEV No. 09-09-286 and 09-09-290 in the amount of ₱9,921,189.43 and ₱9,851,620.88, respectively.

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			<p>These adjustments were not yet reflected in the individual SLs of affected cases.</p> <p>2. On 28 December 2018 unclaimed checks with total amount of ₱20,334,891.21 were reverted to Trust Liabilities account under JEV No. 2018-12-691 to reflect the appropriate cash balance as of year-end. This entry was reversed at the beginning of 2019 under JEV No. 2019-01-003-B, dated 03 January 2019.</p> <p>3. Unreconciled SL and GL records in 2006 and prior years. Reconciliation of these records are difficult due to the absence of complete records or documents as references.</p> <p>Efforts in retrieving and reconciling these records are being done.</p> <p>Considering the above, the discrepancy between the GL and SL</p>

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			<p>of Trust Fund account of ₱60,892,270.06 cannot be directly attributed to the non-maintenance of SL for Execution Fees, contrary to the observation.</p> <p>With regard to Execution Fees, maintenance of SL per case is not necessary since this fund is treated as revolving and off-budgetary account as reported in the Budget of Expenditures and Sources of Financing (BESF). In addition, under En Banc Resolution No. 08-2012 dated 28 September 2012, the purpose of this fund is to cover additional administrative costs in the execution or enforcement of judgment awards specified in the final decisions of Labor Arbiters and/or the Commission in which the concerned respondent did not voluntarily settle its obligation to the complainant.</p> <p>As agreed in the presentation and discussion during the exit conference, we will maintain a single record or Subsidiary Ledger for</p>

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			<p>Execution Fund to reflect the transactions under this fund.</p> <p>We do not agree however on the audit observation that there are no supporting documents in the recognition of receipts and disbursements of execution fund.</p> <p>We maintain separate record for Execution Fees. Collections are separately recorded in the Cash Receipts Journal (CRJ) while its disbursements are reported in a separate Report of Checks Issued (RCI) and Check Disbursement Journal maintained for this fund. We also maintain a separate bank account for Execution Fees. Our recognition of collections of execution fees are supported by the Daily Abstract of Collections and Deposits submitted daily to NLRC by the bank (UCPB) together with the machine validated payment slip and Order of Payment (OP) issued by this Commission. The disbursements of this fund are supported by the Disbursement</p>

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			<p>Vouchers with its necessary supporting documents.</p> <p>B. As per audit recommendation, the same are currently being implemented. In the Collection of Judgment Awards, reference as to the date of collections and Official Receipt or Order of Payment number are properly indicated in the Subsidiary Ledger maintained for each intended specific case.</p> <p>C. We commit to prepare a policy guideline on the treatment and maintenance of seemingly dormant Cash Bonds and Fiduciary Awards.</p>
2019-003 (2018) 15 March 2019	Purchases and disbursements on Small Value Procurement on the total amount of ₱3,920,499.68 for CY 2018 were not supported with the required documentation in the procurement and payment. Further, copies of perfected contracts of the above disbursements were not	<p>We recommend that the Management:</p> <p>A. Direct the Procurement Unit of the Agency to:</p> <ul style="list-style-type: none"> - Adhere strictly to the rules and procedures of the Government Procurement Law on Small Value Procurement. 	<p>A. The Procurement Unit already complied with the audit recommendation to adhere strictly to the rules and procedures of the Government Procurement Law on Small Value Procurement as well as to furnish the COA within five days,</p>

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	submitted for review to the Audit Team.	<ul style="list-style-type: none"> - Furnish the Audit Team within five days with copies of the perfected contracts B. Require the Chief Accountant to ensure the completeness of the documents necessary to support the Disbursement Vouchers to substantiate payments to suppliers. 	<p>with the copies of perfected contracts.</p> <p>B. The Accounting Unit, through the Chief Accountant, already complied with the audit recommendation to ensure the completeness of the documents necessary to support the Disbursement Vouchers and to substantiate payments to suppliers.</p>
2019-004 (2018) 6 March 2018	Various PPE were already dropped from the books of accounts of NLRC Main but the actual physical disposal was not done, hence, the unserviceable properties remain in the NLRC premises.	We recommend the Management direct the Management and Administration Department to hasten/facilitate the physical disposal of the unserviceable properties in accordance with the provisions of the GAM and related regulations.	<p>We agree on the audit recommendation to expedite the disposal of the unserviceable properties in accordance with the provisions of the GAM and related regulations in compliance with the audit recommendation.</p> <p>As of this date, the Property Disposal Committee has already completed the Inspection Inventory Report of Unserviceable Property (IIRUP) and has scheduled its disposal through public auction.</p>
2019-005 (2018) 8 February 2019	The Execution Fund was used to pay the security services of NLRC	We recommend that the Management:	A. Under En Banc Resolution No. 10-15 s. 2015 dated 16

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	<p>amounting to ₱1,533,718.30, which were not among the approved administrative expenses under NLRC En Banc Resolution No. 10-15 dated September 16, 2015 and contrary to Section 4(3) of PD No. 1445. Further, a disbursement under the General Fund amounting to ₱1,259.76 was not supported with Official Receipt (OR) by the Security Agency contrary to Section 237 of the National International Revenue Code (NIRC) of 1997. As amended, and Section 4(6) of PD No. 1445.</p>	<p>A. Submit an explanation for the utilization of the Execution Fund for the disbursement of Security Services for the NLRC premises amounting to ₱1,533,718.30;</p> <p>B. Submit the Official Receipt for the payment of Disbursement Voucher No. 18-03-610 amounting to ₱1,259.76 to prevent suspension thereof; and</p> <p>C. Revisit the provisions of AO No. 10-11 dated September 19, 2012 on the use of trust funds under the Execution Fund.</p>	<p>September 2015, the execution process involves among others, the levying of properties wherein security services are required. These levied properties are either stored in a bonded warehouse or at the premises of the NLRC. The cost of Security Services charged to the Execution Fund represents the share of the execution process in the maintenance of safety and security of levied properties stored at the NLRC premises. This contribution cannot be fixed depending upon the collection and availability of cash from execution fund.</p> <p>B. We submitted the original copies of Official Receipt (OR) Nos. 1877 and 1833 both dated 28 May 2019 to COA on the same date in compliance with the audit recommendation.</p> <p>C. We will review and update the guidelines on the utilization of Execution Fund, when</p>

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			necessary, to comply with the audit recommendation.
2019-006 (2018) 25 March 2018	<p>The reimbursements of travelling expenses claimed by 50 sheriffs relative to the enforcement of their duties totaling to ₱2,660,511.00 for CY 2018 were not duly supported with bus tickets/Reimbursement and Expense Receipts (RERs) as required under NLRC Administrative Order No. 03-03, s. 2013 dated January 5, 2013. Further, the corresponding labor cases that they are serving were not properly referenced in the submitted Itinerary of Travel and Official Business (OB) Slips. Hence, the validity of the claims cannot be completely established contrary to Section 4(6) of Presidential Decree (PD) No. 1445.</p>	<p>We recommend that the Management:</p> <p>A. Direct the Accounting Unit to verify the completeness of the attachments in the Disbursement Vouchers to support claims in compliance with Section 4(6) of PD No. 1445; and</p> <p>B. Require the sheriffs to:</p> <ul style="list-style-type: none"> - Submit the bus tickets/RERs below ₱300.00 as required under NLRC Administrative Order No. 03-03, s. 2013 dated January 5, 2013; - Submit the Sheriff's Report or other relevant documents to support the claim of reimbursement of travelling expenses; and - Refer the labor cases they are serving in the Itinerary of Travel and OB slips to substantiate their claim of reimbursement of travelling expenses; and 	<p>The Audit Team might have observed insufficiency of supporting documents on the reimbursements of travel expenses of NLRC Sheriffs and Bailiffs as the management requires only the attachment of approved daily Official Business (OB) form and the Itinerary of Travel. This is in view of the request to reduce the costs of reproduction of copies of writs of executions and the accumulation of unnecessary file of documents which can be corroborated by the approval of the Labor Arbiters who issued and assigned writs of execution to them. The Administrative Order No. 03-03 dated 15 January 2013 was issued for travel expenses that are in the form of Cash Advances.</p> <p>We agree to update and revise the guidelines on the reimbursement of travel expenses for Sheriffs and Bailiffs towards the improvement of our system to the best interest of</p>

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		<p>C. Revisit the NLRC Administrative Order No. 03-03, s. 2013 dated January 5, 2013 and other related NLRC regulations regarding the documentary requirements for the claims of reimbursement of travelling expenses chargeable to the Execution Fund.</p>	<p>public service and as compliance to the audit recommendation.</p> <p>Considering further the volume of notices and communications that our Sheriffs are handling, we are requesting the Audit Team to allow the attachment of report of monthly summary of served notices, follow-ups of writs and communications in their reimbursements instead of the RERs and receipts of fares. This summary is in addition to the regular submission of approved OB forms and Itinerary of Travel.</p>
<p>2019-007 (2018) 25 March 2019</p>	<p>The required financial reports/documents were not submitted within the prescribed timeframe such as: a) quarterly financial statements and supporting schedules; and b) bank reconciliation statements, among others, thus, constrained the audit/verification of the financial transactions/reports/statements and the corrections of errors/deficiencies that may be found in the course of audit, if any.</p>	<p>We recommend that the head of NLRC ensure that the Accountant submit the required financial reports and statements in the required forms, within the period prescribed by the Commission on Audit, to facilitate timely review by the audit team. Any unjustified failure of the officials and employees concerned to comply with the requirements imposed in Section 122 of PD 1445 shall constitute neglect of duty and shall be a ground for administrative disciplinary action against the said</p>	<p>All Bank Reconciliation Statements (BRS) as of 31 December 2018 were already submitted to COA by 30 January 2019.</p> <p>The delay in the submission of BRS of UCPB and LBP Trust Fund was due to verification of the prior period reconciling items and late receipt of bank statements from the bank.</p> <p>The auditor might also consider that we have initially submitted these report but the same were returned for</p>

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		public officer in accordance with the Civil Service Law.	<p>further verification and validation of the Chief Accountant.</p> <p>The bank account no. 2066-9002-00 which was presented in the audit observations as delay of submission of 429 days for September 2018 report and 398 days for October 2018 report, with due respect, is not accurate since the BRS for said months were all submitted in 28 December 2018. In addition, this account has no transaction for deposit or disbursement for the period from February 2018 up to the end of 2018.</p> <p>We would like also to note that submission of BRS is 20 days after the receipt of bank statement. These bank statements are not immediately submitted by the bank to the agency at the end of each month or immediately available upon our request. The delay of receipt of bank statement causes the delays of the preparation of BRS.</p> <p>It is worthy to note also that the objective of BRS, that is to check and</p>

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			<p>prevent bank or book errors and as control to safeguard and detect fraud, are strictly observed through monitoring and verification of the daily collections and deposits reported by the bank with the report of the Order of Payment Issued of NLRC Cashier.</p> <p>As to the observation on the submission of quarterly Financial Statements, we have already complied with audit recommendation for CY 2019. The Quarterly Financial Statements for the first quarter of 2019 was submitted on 10 April 2019.</p>
2019-008 (2018) 25 March 2019	For CY 2018, the GAD Plan and Budget (GPB) of NLRC amounting to ₱10,306, 366.91 is below the required five percent (5%) of the agency's total appropriation contrary to Section 30 of the General Provisions, General Appropriations Act (GAA), Fiscal Year (FY) 2018 or Republic Act (RA) No. 10964. Thus, attainment of GAD objectives to address	<p>We recommend that Management:</p> <p>A. Identify gender issues and concerns in GAD plans and allocate GAD budget equivalent to at least five percent (5%) of the total appropriations pursuant to General Provision of the annual GAA; and</p> <p>B. Faithfully adhere to the guidelines on the preparation of GAD Plans and Budget and GAD Accomplishment Reports</p>	<p>While we agree with the audit observation, please consider the following:</p> <p>1. NLRC's substantial compliance to Section 30 of the General Provision of the CY 2018 GAA, to allocate 5% of the budget for GAD program and integrate the same with the regular activities and program in the</p>

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	gender issues and concerns was not fully accomplished.	as per Joint Circular No. 2012-01 of the PCW-NEWA-DBM.	<p>accomplishment of the agency's mandate, to wit:</p> <ul style="list-style-type: none"> • Provision of clinic which serves also as the lactation room for mothers; • Conducted series of orientations and sensitivity trainings on GAD; • Provision of priority lane for pregnant women and women with special concern in the filing of Request for Assistance at Single Entry Unit (SEnA) and filing of complaint at the Complaint Unit; • As gender sensitive agency, facilities are improved, like provision of purified water at the common area of SEnA and Complaint Unit for stakeholders; comfort rooms; ventilation and installation of air-conditioning at the 3rd Floor lobby as the waiting area of parties while on que for the conference and hearing of their case to

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			<p>address issues on GAD and Senior Citizens;</p> <ul style="list-style-type: none"> • Signage (as reminder) to prioritize pregnant women, differently abled stakeholders and Senior Citizens to all NLRC facilities; • Outreach program for Senior Citizen; • Provision of benefits to officials and employees who are entitled to maternity leave, paternity leave and magna carta benefits. • Collection of Sex-disaggregated data for labor cases handled. <p>2. If the NLRC literally allot 5% of its budget dedicated for GAD Plans and Programs, and without integrating it with NLRC activities and programs, it shall impair the real intent of the GAA and may negatively affect the delivery of our basic services and hinder accomplishment of our performance targets and Major Final Output we committed under the GAA.</p>

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			<p>It can be noted that in 2018, NLRC was provided with a total budget per GAA of ₱1,140,547,000.00, broken-down as follows:</p> <table border="1" data-bbox="1444 443 1892 586"> <tbody> <tr> <td>PS</td> <td>969,600,000</td> <td>85%</td> </tr> <tr> <td>MOOE</td> <td>160,613,000</td> <td>14%</td> </tr> <tr> <td>CO</td> <td>10,334,000</td> <td>1%</td> </tr> <tr> <td>Total</td> <td>1,140,547,000</td> <td>100%</td> </tr> </tbody> </table> <p>Based on our total budget, the 5% is equivalent to ₱57,027,350.00. This amount cannot be taken from the budget allocated for PS and CO as these are fixed and for specific purpose. On the other hand, the MOOE also includes fixed expenditures such as Office Rentals in the amount of ₱51,400,000.00 and extraordinary expenses in the amount of ₱17,747,000.00. Likewise, it is mandatory to provide for postage and stamps for all mails and notices, electricity and water, thus, leaving a very minimal amount for other expenditures. Consequently, we cannot provide a budget equivalent to 5% of GAA dedicated solely for GAD Programs outside our regular programs and</p>	PS	969,600,000	85%	MOOE	160,613,000	14%	CO	10,334,000	1%	Total	1,140,547,000	100%
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			<p>activities in the accomplishment of our mandate.</p> <p>It can also be noted that in the NLRC's 2018 SCBAA, we have at least 99% obligation rate for both PS and MOOE.</p> <p>These budgetary constraints have limited the capacity of the Commission to literally allot the 5% solely for GAD activities.</p> <p>For 2019, we have already submitted an Annual Gender and Development (GAD) Plan and Budget to COA.</p>

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