



Republic of the Philippines
Department of Labor and Employment
NATIONAL LABOR RELATIONS COMMISSION
Quezon City

August 25, 2015

Dir. Rovelinda A. Dela Rosa
Internal Audit Services
Department of Labor & Employment
Intramuros, Manila

DEPARTMENT OF LABOR AND EMPLOYMENT	
INTERNAL AUDIT SERVICE	
OFFICE OF THE DIRECTOR	
RECEIVED	
NAME:	<u>[Signature]</u>
DATE:	<u>8/25</u> TIME: <u>2:00pm</u>

THRU: Ms. Sallie Franco

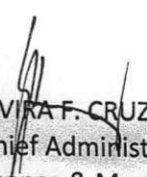
Madam:

Respectfully transmitted to your Office the following reports :

1. Consolidated Management Letter for 2014
2. Comments and Actions Taken on Annual Audit Observations and Recommendations contained on Consolidated Management Letter for 2014

We hope you will find them in order.

Very truly yours,


ELVIRA F. CRUZ
Chief Administrative Officer
Finance & Management Division

Annual Audit Observations, Recommendations and Actions Taken for CY 2014

Observations	Recommendations	Comments and Actions Taken
<p>Main and NCR:</p> <p>1. The Cash In Bank – LCCA per books of 797,790,108.65 and bank confirmed balance of 808,660,965.82 maintained with the Land Bank of the Philippines (LBP) and United Coconut Planters Bank (UCPB) was not reconciled to date resulting to a difference of 10,864,795.15, thus affecting the reliability of the book balance as of December 31, 2014. Further, no Subsidiary Ledger for accounts with Land Bank of the Philippines (LBP) was provided as required under Section 403 of the Government Accounting and Auditing Manual (GAAM) Volume II.</p>	<ul style="list-style-type: none"> Require the Accountant to prepare and provide the subsidiary ledgers for LBP Fiduciary account in compliance with Section 403 of the GAAM Vol. II and reconcile the general ledger balance of the Cash In Bank – LCCA with tat recorded/stated in the individual subsidiary ledger balance of individual bank account composing the account. 	<p>NLRC maintains three bank accounts for its Fiduciary Fund: interest earning account at LBP, UCPB and UCPB Dollar account.</p> <p>Cash In Bank – LCCA and Foreign Currency Accounts maintained at UCPB are supported with complete subsidiary records maintained for each labor case controlled by case number and by respondent's name and the report of balances as reconciled with the general ledger balance was submitted to the Commission On Audit.</p> <p>Cash In Bank – LCCA account maintained at LBP is also supported with subsidiary records but the Accounting Unit has to complete the verification and reconciliation of posting of transactions for 2005 up to 2010.</p>

DEPARTMENT OF LABOR AND EMPLOYMENT
INTERNAL AUDIT SERVICE
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Annual Audit Observations, Recommendations and Actions Taken

Observations	Recommendations	Comments and Actions Taken
<p><u>RAB-I</u> Stale checks amounting to P272,028.02 remained outstanding for over a year, hence the cash equivalent to the stale checks were kept idle in the bank.</p>	<p>Require the Accountant to documents to support the reconciling items of Cash In Bank – LCCA account and take up the necessary adjusting entries in the JEV for cleared items/accounts.</p>	<p>Further, the NIRC Accounting Unit has already updated the preparation of bank reconciliation from 2001 up to June 2015 for LBP account. Reconciliation of accounts for year 2000 backwards to year 1995 will be prepared upon receipt of the bank statements which were requested from LBP.</p> <p>RAB I Accountant has already submitted to the Commission on Audit the required documents and the JEV for the cancellation of staled checks to restore the cash accounts in the books.</p>

Annual Audit Observations, Recommendations and Actions Taken

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<p><u>RAB-II</u> Cash In Bank – LCCA account amounting to P9,507,694.78 did not tally with the account Other Payables amounting to P9,508,694.78 or a difference of P1,000.00 due to failure of management to reconcile its records.</p>	<p><u>For RABs II, III and IV</u> Require the Accountant:</p> <ul style="list-style-type: none"> • to prepare and submit the corresponding monthly Bank Reconciliation Statements (BRS) for each bank account to reconcile and verify the correctness of the amount stated and recorded in the books not later than 15 days from the end of each month as required under Section 74 and 122 of PD 1445. • to effect the necessary adjusting/journal entries for reconciling items and cleared accounts • to strictly comply with the provisions of GAFMIS Circular Letter No. 2002-001 and the proper treatment of reconciling items. 	<p>RABs II and III has already updated the preparation of monthly BRS and the same were already forwarded to their respective Auditors. RAB-IV still on the process of updating the monthly BRS. The delay of the preparation of BRS was due to delays in the bank statements from the banks.</p>
<p><u>RAB-III</u> The accuracy and reliability of the LBP, Cash In Bank – LCCA amounting to P13,989.92 as of December 31, 2014 could not be ascertained because it included outstanding checks amounting to P722,530.70 for almost two to nine years.</p>		

Annual Audit Observations, Recommendations and Actions Taken

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<p>RAB-VI</p> <ul style="list-style-type: none"> • Collections were not deposited intact the succeeding banking day pursuant to Section 69 of Presidential Decree (PD 1445), resulting to undeposited collection of P2,134.07 at year end, thus exposing the government funds to risk of possible loss or misuse. • The validity of account Cash – Collecting Officer amounting to P1,836,531.80 could not be ascertained due to erroneous recordings, thus resulting to overstatement of the account by P1,834,397.73. • BRS were not submitted and SL and GL balances were not reconciled contrary to Section 74 of PD 1445, thus the accuracy of Cash In Bank – LCCA amounting to P49,429,681.09 could not be ascertained 	<p>Require the Cashier to deposit collections regularly and intact pursuant to Section 69 of PD 1445 and Section 21 of the Manual on the NGAS, Volume I to avoid exposing government funds to risk of possible misuse; and,</p> <p>Require the Acting Cashier and the Acting Accountant for RAB – VI to reconcile Cash Receipts Records with the Subsidiary Ledgers and General Ledger for the account Cash – Collecting Officer.</p>	<p>The Cashier was reminded to deposit daily his collections.</p> <p>The Acting Accountant is on the process of verifying the account Cash – Collecting Officer with the records of previous Cashiers and the updating of monthly BRS for trust funds.</p> <p>The NLRC Central Office will monitor the RAB-VI compliance of the audit recommendations.</p>

Annual Audit Observations, Recommendations and Actions Taken

Observations	Recommendations	Comments and Actions Taken
<p>2. Trust Liabilities account balance of P877,607,472.48 for Main and NCRAB as of December 31, 2014 representing payables for fiduciary trust, out of which P198,526,511.24 were not supported with schedules/ statement for payables relative to judgment awards, execution fund and other related fund, while subsidiary ledgers and general ledger balance were not reconciled rendering the account inaccurate at year end.</p>	<p>For Main and NCRAB, require the Accountant to prepare and submit the Statement of the Trust Liabilities not supported with detailed schedules, reconcile the SL with the GL balance of accounts to correct/update the account stated in the books;</p> <p>For RAB- I, require the Accountant to prepare JEV for the cancellation of the checks and the reversion of the equivalent cash to the Bureau of the Treasury and inform the concerned bank of the reversion of the stale checks;</p> <p>For RAB-III, require the Labor Arbiters to conduct inventory of all pending cases in their salas and submit the complete list and status of cases to facilitate the maintenance of the complete records of all cases;</p>	<p>Trust Liabilities account is the reciprocal account for Cash In Bank – LCCA and Foreign Currency. The amount of P198,526,511.24 pertains to cash bonds and judgment awards deposited at LBP.</p> <p>The Main and NCRAB Accountant has already prepared a schedule of payables pertaining to judgment awards deposited at LBP but she has to verify further the posting of collections and disbursements for years 2005 to 2010 and the discrepancy of balance per records with the bank.</p> <p>On the publication of long outstanding checks and reversion to the National Treasury, the management submitted justification that parties are properly informed of the release of judgment awards</p>

Annual Audit Observations, Recommendations and Actions Taken

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	<p>Require the Accountant to reconcile records with the inventory list of cases submitted by the Labor Arbiters to come up with the account balances duly supported with valid claimants</p> <p>For RAB- IV, require the Accountant to reconcile the difference between the Other Payables account and the Cash In Bank – LCCA to correct the balance of the accounts.</p>	<p>all Notices, Orders and Resolutions regarding the outcome of the complaint filed. Under the NLRC Rules of Procedure, a writ of execution or an order of release of fiduciary funds are issued upon motion of the party-claimant.</p> <p>The NLRC trust funds shall not, at any given time, be declared dormant as these are collections to cover judgment awards of cases during the pendency of the case while on appeal with the higher tribunal. These collections are to be released to the prevailing party.</p>
	<p>For RAB-7, exhaust all possible remedies to locate the claimants of the judgment awards, appeal/cash bonds, garnished sum, sheriff's fee and other of similar nature. Send notices to the last known addresses of the claimants or have them published in a newspaper of wide circulation. If all actions prove futile, revert the funds to the National Treasury pursuant to Section 106333 or the GAA of 2014.</p>	

Annual Audit Observations, Recommendations and Actions Taken

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<p>3. Audit of the various transactions of RABs disclosed lack of compliance with the rules and regulations on government transactions:</p> <p style="padding-left: 40px;">RAB I – Non-submission of perfected contracts and purchase orders within five (5) working days</p> <p>RAB-II – procurement of common use office supplies were made from local supplier instead of buying from Procurement Service (PS) of DBM amounting to P55,680.88</p>	<p>Management require the RABs 1, 2, 4, 5, 6, 8, 9, 11 and 13 to comply with the rules and regulations on government transactions .</p>	<p>The NLRC management provided all its Accountants and Budget Officers with training and seminar on UACS and PSSAS:</p> <p>1. On October 2014 during the DOLE – DBM sponsored Seminar-Workshop on UACS, Budget Execution and BFARs at Tagaytay City;</p> <p>2. August 3 to 7, 2015 sponsored a customized seminar-workshop on PSSAS, values enhancement, GAD, orientation on QMS enrolled process and discussion on the 2014 Annual Audit Observations and Recommendations for Accountants, Budget Officers with Executive Labor Arbiters.</p>

Annual Audit Observations, Recommendations and Actions Taken

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<p>RAB IV – The old account “Due to National Treasury” (411) with a balance of P112,207.07 as of December 31, 2014 is being used instead of the account “Cash – Treasury/Agency Deposit, Trust”</p> <p>RAB-V: Cashier’s Office is not amply protected against intrusion by unauthorized persons contrary to sound internal control;</p>		<p>The RABs Executive Labor Arbiters and Finance Officers committed to comply with the COA recommendations.</p>
<p>RAB V, VI, VIII and IX on late submission of RCI and paid Vouchers; non-compliance on the UACS and PSSAS.</p> <p>RAB-XI – failure of the collecting officer to deposit collections intact and promptly; failure to prepare budget information in the FS</p> <p>RAB-XIII- payment of YEB and CG to personnel meted with</p>		

Annual Audit Observations, Recommendations and Actions Taken

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<p>4. Unliquidated Cash Advances/ Petty Cash not supported by PCV (RAB 5, 6 & 12)</p> <p>RAB 5 cash advances totaling P52,972.36 for travel and special time bounded purposes aged 30 days or more remained unliquidated contrary to Section 89 of PD 1445 and COA Circular 97-002.</p>	<p>Require the concerned officers and employees to immediately settle/ liquidated cash advances granted to them, to closely monitor the cash advances thru the use of aging analysis of cash advances and strictly comply with the provisions of COA Circular 97-002.</p> <p>Disbursement through PCF shall be made through properly accomplished PCV approved by authorized officials and acknowledgment by the payee.</p>	<p>The Chairman has issued a memorandum to strictly observe and liquidate cash advances within the prescribed period provided in COA Circular 97 – 002 and the submission of monthly status report of cash advances.</p> <p>RAB 5 and 6 will issue Notice to Liquidate/Settle the outstanding cash advances to the concerned officials and employees.</p>
<p>RAB 6 granted cash advances to officers and employees totaling P24,653.65 were not liquidated at the end of the year contrary to the provisions of COA Circular No. 97-002</p> <p>RAB 12 Petty Cash expenses amounting to P33,795 were not supported by PCV which is not in accordance with par. 1.1.2 of COA Circular No. 2012-001 dated June 14, 2012 and Section 39 of the Manual on the NGAS</p>	<p>accomplished PCV approved by authorized officials and acknowledgment by the payee.</p>	<p>RAB 12 through its Executive Labor Arbiter commits to ensure immediate implementation of COA recommendations on the disbursements of PCF to correct the practice of the PCF Custodian.</p>

Annual Audit Observations, Recommendations and Actions Taken

Observations	Recommendations	Comments and Actions Taken
<p>5. Unreconciled PPE and Non-maintenance of PPELC and PC. (NLR Main Office and RAB 1)</p> <p>NLR Main Office and NCR:</p> <p>The physical inventory report for property plant and equipment of the NLR Main and NCRAB with a total of P61,708,645.89 did not tally with the recorded amount of P76,076,653.18 due to the absence of reconciliation of the difference of P14,308,201.29 between the Property and Accounting Sections. Moreover, failure to update Property Cards and the non-maintenance of PPE Ledger Cards by the Property and Accounting Unit, respectively, contrary to the provisions of Section 12 and 42 of the Manual on the NGAS, affected the reconciliation of accounting and property records and the determination of the accuracy and existence of PPE account balances reported in the financial statements as of December 31, 2014.</p>	<p>To instruct the Accountant and Supply Officer to prepare the required PPELC and update Property Card, respectively, for each type of property/ equipment in compliance with the above provisions and to periodically reconcile both balances and effect adjustments on the discrepancies noted to ensure accuracy and reliability of recorded amount of the PPE Account.</p> <p>RAB 1 and 6, direct the inventory committee to conduct physical inventory of all equipment and submit Report on the Physical Count of PPE in compliance to the provisions of Section 66 of the MNGAS, Volume II and to reconcile the difference between the general and subsidiary ledger balances.</p>	<p>In 2014, the Main Office has sent confirmation letters to the RABs of all PPE issued to them. Initially, RABs has confirmed the IT and computers and its recording with their respective books of accounts thus the basis of the Accountant to drop from the books of the Main Office.</p> <p>The Property Officer is maintaining inventory list of PPE in excel format and the updating are effected every time there are procurements and disposals for unserviceable PPE. Likewise, the Accounting Unit is also maintaining its file in excel format for all PPE which serves as their ledgers.</p> <p>There is on going reconciliation of PPE and confirmations with the RABs.</p>

Annual Audit Observations, Recommendations and Actions Taken

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<p>6. Non-Disposal of Unserviceable PPE (NLRC Main, NCRAB, RAB-CAR and RAB 1)</p> <p>Unserviceable equipment of the NLRC Main and NCRAB awaiting for disposal in the total amount of P5,022,446.55 were not reclassified under the Other Assets account, in violation of Section 143 of the MCGAS, Volume II, thereby under/overstating the Other Assets and affected accounts.</p> <p>NLRC RAB-CAR unserviceable equipment totaling P475,702.92 were still included in the PPE and not reclassified to Other Assets account.</p>	<p>Require Property Officer to prepare the IRRUP for the disposal of these assets to prevent further deterioration and to derive income from sale of said properties.</p>	<p>The Property Officer has initially submitted to the Inspection and Disposal Committee the inventory of unserviceable PPE for inspections and disposal. The Committee had convene and schedule the inspection of PPE.</p>

Annual Audit Observations, Recommendations and Actions Taken

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<p>7. GSIS General Insurance Fund</p> <p>The due to GSIS was without the necessary supporting schedules to establish and ascertain the liability account and to reconcile the difference noted in the amount of P221,139.81.</p> <p>RAB 1 and CAR PPE were not insured with the GSIS General Insurance Fund and the Property Replacement Fund contrary to Section 489 of GAAM, Volume I, thus the government is at risk of not being indemnified in case of damage or loss of property.</p>	<p>Require the Accounting Unit to provide the necessary supporting schedules and subsidiary details, to account and reconcile the difference noted as well as the unremitted balance of the Due to GSIS at year end to effect the adjustments for corrections noted and reviewed for cleared accounts.</p> <p>Allocate funds for the insurance with the GSIS General Insurance fund for all insurable PPE.</p>	<p>The amount of P221,139.81 represent adjustments for CY 2014 for the recording of insurance premiums paid for NLRC PPE.</p> <p>Continuous efforts are being done to reconcile the account Due to GSIS account. Subsidiary ledger for this account are being reconstructed.</p> <p>Fund allocation will be released to all RABs for the insurance of all PPEs with the GSIS.</p>

Annual Audit Observations, Recommendations and Actions Taken

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<p>8. GAD Plan and Budget</p> <p>The NLRC Main Office and RABs NCR, CAR, 8, 11, and 7th Division were able to programmed and implement some activities on its Gender and Development Program for FY 2014, while there are no GAD plan and budget sourced from 5% of its total appropriations for RABs 1, 2, 4, 5, 9, 10 and 12 as what has been required in Section 28 of RA 10633 (GAA CY 2014), thereby depriving its officers and employees of the benefits that address the gender equality and economic empowerment of women and Joint Circular No. 2004-1 of the DBM, NEDA and PCW.</p>	<p>Management to formulate and identify significant programs, projects and activities that would promote gender-responsive governance, to address gender issues and concerns not only of their organization but also their clientele, and, prepare the GAD Plan and Budget to ensure that GAD programs and activities are implemented as planned.</p>	<p>The GAD plan and budget of the concerned RABs were presented during the YEPA last March 2015 to implement the COA recommendations. It was threshed out that due to insufficiency of RABs budget, they were not able to implement GAD programs as it would affect the priority programs in the adjudication of labor cases. The management suggested to identify the GAD activities aligned with the NLRC mandate as per Memorandum Hon. Secretary Rosalinda Boaldez and include it as part of the programs in the adjudication of labor cases.</p>

Annual Audit Observations, Recommendations and Actions Taken

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<p>9. Compliance to Tax Laws</p> <p>NLRC complied with the tax rules and regulations on prompt withholding of taxes and remittance to the BIR.</p>		
<p>10. Senior Citizen and Differently Aabled.</p>	<p>Management to formulate plans and programs that will address the concerns of senior citizens and persons with disability and integrate the same in their regular activities pursuant to Section 34 of the General Provisions of Republic Act No. 10633 of the General Appropriations Act for FY 2014.</p>	<p>The management will implement programs for Senior Citizens and persons with disability to address their mobility, safety and welfare.</p>

Thank you