

**OVERSEAS WORKERS WELFARE ADMINISTRATION**  
**MATRIX OF AUDIT OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT COMMENTS**  
**For Calendar Year Ending December 31, 2011**

COMMENTS AND OBSERVATIONS	RECOMMENDATIONS	MANAGEMENT COMMENT
<p>1. Payments of loans received from various borrowers of RWO-CAR and NCR totalling P542,763 and P98,369, respectively, were not credited to borrowers' accounts, while in RWO-II and X, the collections totalling P321,915 and P171,125, respectively, were totally not recorded in the books of accounts, resulting in incorrect balances of the affected borrowers' accounts.</p>	<p>We recommended that the Director of the Regional Operations Coordination Services (ROCS):</p> <p>a. Require the Directors of RWOs II, X, CAR and NCR to exert more efforts in identifying the borrowers who paid their loans thru banks in order that the same can be properly recorded and credited to the individual borrower's accounts; and</p> <p>b. Instruct the collecting officer of RWO NCR to place in the ORs the name of the borrowers, instead of the one tendering/giving the payments.</p>	<p style="text-align: center;"><b>Implemented</b></p> <p style="text-align: center;"><b>Implemented</b></p>
<p>2. Unreleased checks in RWOs III and IV-A totaling P5.604 million and P3.624 million, respectively, were not restored to the Cash balance, resulting in understatement of Cash-In-Bank and Accounts Payable accounts by the same amount.</p>	<p>We recommended that the Director of ROCS inform the Director of RWOs III and IV-A to direct their respective Accountants to ensure that the necessary accounting entry is made to restore to the cash balance the amount of unreleased checks at year-end in order that the balance of Cash-in-Bank and Accounts Payable accounts are presented fairly in the financial statements.</p>	<p style="text-align: center;"><b>Implemented</b></p>
<p>3. The cost of audit services for the years 2002 to 2011 totaling P68.888 million remained unremitted and were not recognized as liabilities in the books of accounts, thus, the reported liabilities of OWWA was understated by the same amount.</p>	<p>We recommended that Management:</p> <p>a. Request from the Board a supplemental budget for the cost of audit services from 2002 to 2011, and thereafter, include in the annual budget the provision for the audit cost;</p> <p>b. Require the Accounting Division to recognize the liabilities for unpaid cost of audit services in the books of accounts in order that the true liabilities of the agency are correctly reported; and</p>	<p>1. Management explained that the nature of OWWA as a government organization has always been contentious ever since its inception.</p> <p>2. Furthermore, Management informed that very recently, Congress has taken cognizant of the need for establishing the Charter of the OWWA. The Committee on Overseas Workers Affairs (COWA) of the House of</p>

c. Remit the same to the Bureau of the Treasury upon approval of budget.

Representatives and chaired by Congressman Walden Belo has deliberated on two proposed legislations on the OWWA Charter. Among the issues discussed collateral in the deliberations of the OWWA Charter Bill is the nature of the OWWA as a government organization. Some congressmen in the COWA have posited that for lack of funding sourced from the national government, the OWWA is a GOCC. Moreover, the DBM representative in the deliberations of the OWWA Charter testified that there is no source forthcoming for funding the operations of OWWA from government coffers. And still, some other congressmen in the COWA opined that since the contributory nature of the OWWA Fund is mandated by law and is collected and managed by a government agency, then OWWA is an NGA. Moreover, the principal sponsors of the OWWA Charter bills have steadfastly argued that OWWA is an NGA. Their positions are buttressed on their desire that the OWWA remains publicly owned and run, and not be threatened by privatization as most GOCCs are. The COWA has passed in second reading the OWWA Charter Bill stipulating, among others, that OWWA is an NGA. Plenary debates on the Bill shall ensue in its Third Reading. As there is no counterpart Bill yet filled in the Senate, the version of the House, once it is passed in the third reading in the Plenary, shall be forwarded for the Senate's own deliberations.

		<p>3. Management requested for the indulgence and understanding for not acceding to COA's recommendation for the settlement of the OWWA liabilities for cost of audit services for the years 2002 to 2011. They also informed that they recognize and appreciate the help and guidance the COA has provided the OWWA, its officials and employees in all those years, however, at present, they have to follow the directive and thinking of their immediate superiors, especially, the DOLE Management and the OWWA Board of Trustees, who maintained the position that OWWA is an NGA. Unless a more competent authority directs them otherwise, the OWWA Management is constrained to request that the settlement of OWWA liabilities for the cost of audit be held in abeyance. They further stated that they sincerely hope that the instruction from a more competent authority will come in the form of an enacted OWWA Charter, defining and identifying once and for all, the nature of OWWA as a government organization.</p>
<p>4. <b>Accounts Payable of RWO-NCR</b> representing payables to the National Kidney and Transplant Institute (NKTi) amounting to P3.566million for the Health Program and Medical Rehabilitation Program and to the National Center for Mental Health(NCMH) totalling P0.642 million for the Rehabilitation Program lacked the necessary supporting documents to substantiate these balances. Moreover, based on the results of confirmation, NKTi had a receivable of</p>	<p>a. We recommended that Management coordinate with the NKTi and NCMH and obtain the necessary documents in order to determine the actual liability of OWWA for HEALTHPRO and REHABPRO.</p> <p>b. We also recommended that based on actual expenses incurred at NKTi and NCMH (if any), Management ensure that the necessary documents to support the accrual are attached to the JEVs and prepare the JEV to adjust/correct the amount of liability.</p>	<p><b>Implemented</b></p> <p><b>Implemented</b></p>

<p>5. P1.129 million, and NCMH had no receivables as at year-end.</p>																							
<p>6. Property totalling P35.895 million which were disposed of during the year had not been derecognized in the books of accounts due to the non-submission by the Procurement and Property Management Division of the Inventory and Inspection Report for Unserviceable Property. This resulted in the overstatement of Property, Plant and Equipment and the Accumulated Depreciation accounts by the same amount.</p>	<p>We recommended that Management require the:</p> <p>a.) Procurement and Property Management Division to submit to the Accounting Division the I and I Report and other pertinent documents of the disposal in order that the cost of the disposed property can be dropped from the books of accounts, and the PPE and Accumulated Depreciation accounts can be accurately stated; and</p> <p>b.) Accounting Division, upon receipt of the I and I Report and other pertinent documents, effect the necessary accounting entries to drop from the books of accounts the cost of disposed property.</p>	<p><b>Implemented</b></p> <p><b>Implemented</b></p>																					
<p>7. Unreconciled discrepancy existed between the book and bank balances of the Investment managed by LBP with the bank balance higher by P1.561 million. On the other hand, net discrepancy of P16.360 million between the book and bank balances of Investment managed by DBP was attributed mainly to unrecorded income in 2005, double recording of withdrawals and undeducted expenses, which remained unadjusted at year-end.</p>	<p>1. We recommended that the Accounting Division effect accounting adjustments, as follows:</p> <table border="1" data-bbox="779 755 1406 1383"> <thead> <tr> <th>Account</th> <th>Dr</th> <th>Cr</th> </tr> </thead> <tbody> <tr> <td>Other investments Prior Year's Income</td> <td>32,402,816</td> <td>32,402,816</td> </tr> <tr> <td>Prior Year's Expense Other investments</td> <td>1,362,082</td> <td>1,362,082</td> </tr> <tr> <td>Other investments Prior Year's income</td> <td>21,484,687</td> <td>21,484,687</td> </tr> <tr> <td>Other investments Prior Year's income</td> <td>200,000</td> <td>200,000</td> </tr> <tr> <td>Other Payables Other investments</td> <td>90,421</td> <td>90,421</td> </tr> <tr> <td>Other investment Prior year's income</td> <td>2,000</td> <td>2,000</td> </tr> </tbody> </table>	Account	Dr	Cr	Other investments Prior Year's Income	32,402,816	32,402,816	Prior Year's Expense Other investments	1,362,082	1,362,082	Other investments Prior Year's income	21,484,687	21,484,687	Other investments Prior Year's income	200,000	200,000	Other Payables Other investments	90,421	90,421	Other investment Prior year's income	2,000	2,000	<p><b>Implemented</b></p>
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	<p>2. We also recommended that the Finance and Investment Management Office (FIMO):</p> <p>a. Coordinate with the DBP and identify the details and explanation of the accounting adjustments made in the surplus account as stated in paragraph 6.3 g above, so that the same can be properly taken up in the books of accounts; and</p> <p>b. Take steps to reconcile the account with the LBP.</p> <p>3. We further recommended that henceforth, FIMO and Accounting Division reconcile their records periodically to avoid discrepancies between book and bank balances and arrive at a correct balance of the Investment account.</p>	<p><b>Implemented</b></p> <p><b>Implemented, Reconciliation is on-going</b></p> <p><b>Implemented</b></p>
<p>7. <b>Payment of CNA Incentives totalling P15.519 million was not supported with documents showing that the CNA was sourced only from agency savings as required in Budget Circular No. 2011-5, thus, the propriety of the disbursement could not be ascertained.</b></p> <p><b>Moreover, the amount granted exceeded the authorized maximum limit of P25,000 per qualified employee.</b></p>	<p>We recommended that Management require the Chief of the Budget Division to prepare and furnish us a copy of a report or statement showing in detail the sources of the savings used in the release of the CNA incentive, as well the agency's compliance with the conditions set forth in Items 3.2.1 to 3.2.3 of Budget Circular No. 2011-5 in order that propriety of the disbursement could be ascertained.</p> <p>We also recommended that pending evaluation of the propriety of the total disbursement for the CNA Incentive, Management cause the immediate refund of the excess amount of P6,252,600.</p> <p><b>As our rejoinder to the Management comments,</b></p> <p>Section 4 of Budget Circular No. 2011-5 provides that agency heads shall be held personally liable for any payment of the CNA Incentive not in accordance with the provisions of the Circular without prejudice, however, to the refund by the employees concerned of any unauthorized or excess payment thereof. Budget Circular No 2011-5 was issued in February 2011 and its Section 5.7 provides that CNA Incentive should be paid after the end of the year.</p>	<p><b>Implemented</b></p>



	<p>We will issue Notice of Disallowance for said payment which the Management may appeal with the Office of the Cluster Director, Cluster C, Corporate Government Sector, pursuant to the 2009 Rules of Procedure of the Commission on Audit.</p>	<p>Management would write a letter of appeal to the Office of the Cluster Director C, Corporate Government Sector within 6 months period as provided by the COA Circular No. 2009-006.</p>
<p>8. The grant of additional CNA Incentive in the form of Equalization Benefits to non-incumbent employees at P15,000 each or a total of P3.135 million was contrary to Budget Circular No. 2006-1 dated February 1, 2006.</p>	<p>We recommended that Management cause the refund of the additional CNA incentive given to non-incumbent personnel of OWWA in the form of Equalization Benefit.</p> <p>As our rejoinder, the equalization benefit given to non-incumbent personnel was a separate benefit and could not be considered as part and parcel of the CNA incentive based on the following:</p> <ol style="list-style-type: none"> <li>a. The guidelines for the grant of CNA Incentive for CY 2010 issued by Management clearly states that the maximum amount of incentive shall be at P42,000 per qualified official and employee.</li> <li>b. The amount of P42,000 CNA Incentive already represented the "one time benefit" as provided in Budget Circular No 2006-1 dated February 1, 2006;</li> <li>c. The full amount of P42,000 or a total of P15,527,078 was already given to all qualified officials and employees in December 2010, thus, additional incentive in whatever form, even if sufficient savings are still available is already without legal basis and must be refunded.</li> <li>d. The Budget Utilization Report for CY 2010 showed that as of December 31, 2010, OWWA had a total savings of P57,395,291.41, 50% or P28,697,645.71 of which is available for CNA incentive per Section 6 of Public Sector Labor Management Council (PSLMC) Resolution No. 2,</li> </ol>	<p>Management would write a letter of appeal to the Office of the Cluster Director C, Corporate Government Sector within 6 months period as provided by the COA Circular No. 2009-006.</p>

	<p>series of 2003. From this amount, P15,527,078 representing CNA Incentive for CY 2010 was distributed to all qualified employees in December 2010, so there still remained a balance of P13,170,567.71, from which the additional incentive in the form of equalization benefit in the amount of P3,135,000 was sourced. However, as mentioned in paragraph 8.8 (c) above, the additional incentive in whatever form even if covered by sufficient savings has no legal basis.</p> <p>We will issue Notice of Disallowance for said payment which the Management may appeal with the Office of the Cluster Director, Cluster C, Corporate Government Sector, pursuant to the 2009 Rules of Procedure of the Commission on Audit.</p>	
<p>9. <b>The Ex-Officio Members of the Board of Trustees received compensation totalling P425,000 contrary to Executive Order No. 24. On the other hand, the appointive Members of the Board received allowances on top of per diems totalling P688,500, also contrary to EO 24.</b></p>	<p>We recommended that Management:</p> <ol style="list-style-type: none"> <li>a. Stop paying per diem and other benefits to all ex-officio Members of the Board of Trustees;</li> <li>b. Secure approval from the President to give benefits in addition to per diems to appointive Members of the Board of Trustees;</li> <li>c. Pending the said approval, stop paying other benefits on top of per diem to appointive Members of the Board of Trustees; and</li> <li>d. Require the refund of all amount received by all members of the Board which were beyond what is allowed in the Executive Order No. 24.</li> </ol> <p>We will issue Notice of Disallowance for said payment which the Management may appeal with the Office of the Cluster Director, Cluster C, Corporate Government Sector, pursuant to the 2009 Rules of Procedure of the Commission on Audit.</p>	<p><b>Management have already informed the concerned Members of the Board of Trustees about the Notice of Disallowances. To date, almost all the Board members have refunded the disallowed amount.</b></p>
<p>10. <b>Overstatement of the Interest Receivable and Prior Year's Income accounts by P367,357.04 was found due to errors in recording.</b></p>	<p>We recommended that the Accounting Division effect the necessary accounting adjustment, and exercise care and diligence in recording transactions in the books of accounts.</p>	<p><b>Implemented</b></p>

11. Due from Officers and Employees account was understated by P269,372.39 due to erroneous recording of certain transactions.

We recommended that the Accounting Division:

a. Effect the following adjusting entry:

<i>Account</i>	<i>Debit</i>	<i>Credit</i>
Due from Officers & Employees	387,851.57	47,800.00
Salaries and Allowances		230.00
Communication expense		339,821.5
Due from Regional Office - CAR		

**Implemented**

b. Inquire from RWO-CAR if the receivable from the said employees which was booked up under the account *Other Receivables* had been adjusted and if not, prepare a Credit Memorandum (CM) and furnish the RWO-CAR with a copy of the CM in order that the *Other Receivables* account can be adjusted in their books.

**Implemented**

12. Balance of unliquidated cash advances totaling P118,479.19 was erroneously reclassified from Advances to Officers and Employees to Due from Officers and Employees account and remained outstanding since 2008.

We recommended that the Accounting Division reverse the reclassification entry made on the unliquidated cash advance and henceforth, refrain from doing the same.

**Implemented**

We also recommended that Management cause the immediate liquidation of the said cash advance by the concerned Welfare Officer.



13. Tax deficiencies of employees for CY 2010 which were advanced by the agency totaling P9,646.08 remained unpaid as of December 31, 2011.	We recommended that the Accounting Division deduct from the salaries of the concerned employees the full amount of unpaid tax deficiency totaling P9,646.08.	<b>Implemented.</b>
14. Payment of salaries of job-order personnel who rendered services to another office totaling P128,652 covering the period October 2010 to December 2011 was not covered by the Corporate Operating Budget of OWWA, thus considered irregular, contrary to COA Circular No. 85-55-A dated September 8, 1985.	<p>We recommended that Management cause the refund of payment made to the contractual personnel assigned at the Office of the Congressman of the first District of Calocan totaling P128,652 and henceforth, stop entering into contract of services of the same nature.</p> <p>We will issue Notice of Disallowance for said payment which the Management may appeal with the Office of the Cluster Director, Cluster C, Corporate Government Sector, pursuant to the 2009 Rules of Procedure of the Commission on Audit.</p>	<b>Management had informed thru letter for the refund to the job-order personnel.</b>
15. No GAD Plan for CY 2011 was fully implemented because the personnel of OWWA were focused on the provision of programs and services to the OFWs and their families affected by the crisis in Middle East, Libya and Japan.		