OVERSEAS WORKERS WELFARE ADMINISTRATION
MANAGEMENT COMMENTS / ACTION TAKEN
CY 2017 ANNUAL AUDIT REPORT ISSUED BY COA
As of January 2019

OBSERVATIONS	RECOMMENDATIONS	COMMENTS / ACTION TAKEN	VALIDATION
FINANCIAL AUDIT **The correctness of the net book balance of the Property, Plant and Equipment (PPE) account as of December 31, 2017 in the amount of P216.473 million could not be ascertained due to: a) physical inventory report for foreign posts were in local currency where the post is located; b) Accounting Division is not maintaining Property, Plant and Equipment Ledger Cards (PPELC); c) the inclusion of semi-expendable properties in the amount of P23.013 million; and inclusion of unserviceable properties in the amount P35.179 million.** Financial statements of the corporation were prepared in Philippine Peso, hence, schedules/report supporting the amounts therein should also be in Philippine Peso. Verification of the Physical Inventory Report for OWWA foreign post disclosed that the amounts reflected therein were in local currency where the post is located, thus, the same could not be consolidated with the Physical Inventory Report for the Home Office. Likewise, the Physical Inventory Report showed that the information reflected thereof included the description of the property, property number, unit cost, date acquired, among others, but did not include the balance or quantity of the items per property card and per physical count and the shortage or overage, if any. Such information are necessary for the reconciliation of the Inventory Report balance in the PPE account in the books of accounts. Section 42 (g), Chapter 10 of the GAM states that: *"The Chief Accountant shall maintain the Property, Plant and Equipment Ledger Card (PPELC) for each category of PPE including work and other animals, livestock, etc. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, xxx. For check and balance, the Property and Supply Office/Unit shall likewise*	It was recommended and Management agreed to; a. Require the Inventory Team in the foreign post to reflect in Philippine Peso, all items of inventories to consolidate the same with the Home Office Report; b. Require the Accounting Division to prepare PPELC for each category of PPE to support the PPE account in the books pursuant to Section 42 (g), Chapter 10 of the GAM; c. Require the Accountant to reclassify PPE with capitalization threshold of P15,000 and below to Semi-Expendable items in accordance with Sections 3 and 4, Chapter 10 of the GAM; d. Require the Accountant to drop form the books unserviceable properties in the amount of P35.179 million and reclassify the same to Other Assets account; and e. Require the Disposal Committee to facilitate the disposal of unserviceable properties.	The Management have started the review of the above-mentioned records and will prepare the necessary adjusting entries by end of June 2018.	Fully Implemented - **MOI # 017-18** has been issued on 12/13/2018 Fully Implemented - PPELC is being prepared to support the PPE account in the books. Fully Implemented - **JEV#s 18-02-143P, 18-07-0150P, 18-07-0151P, 18-07-0144P to 18-07-0149P** has been prepared to reclassify unserviceable properties to Other Assets account. Fully Implemented - **JEV#s 18-07-0137P, 18-07-0138P & 18-07-0152P** has been submitted to COA. Fully Implemented - **JEV#s 18-11-0230P & 18-11-0231P** has been prepared.

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maintain PC for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with the PPELC by the Accounting Division/Unit xxx." Further, we noted that the Accounting Division is not maintaining a PPELC for each category of PPE, contrary to the above-cited provision. Section 3, Chapter 10 of the GAM states that: *"The cost of an item of PPE shall be recognized as assets if, and only if a) it is probable that the future economic benefits or service potential associated with the item will flow to the entity; xxx and e) it meets the capitalization threshold of P15,000."* Section 4, Chapter 10 of the GAM states that: *"The capitalization threshold of P15,000 represents the minimum cost of an individual asset recognized as a PPE on the Statement of Financial Position."* Our verification showed that semi-expendable property from Head Office and Regional Welfare Offices in the amount of P23.013 million were included in the Physical Inventory Report which is not in accordance with Sections 3 and 4 of Chapter 10 of the GAM. The Physical Inventory Report of foreign posts, however, cannot be validated for compliance of the threshold amount since it is stated in local currency or US dollars. We were not able to validate if the Accounting Division have recorded the PPE following the required classification threshold because they have not submitted the PPE Ledger Cards. Unserviceable property in the amount of P35.179 million was not derecognized contrary to Section 82, Philippine Public Sector Accounting Standards (PPSAS) 17 and Section 40 (d), Chapter 10 of the GAM. Section 82, PPSAS 17 states that: *"The carrying amount of an item of property, plant and equipment shall be derecognized:* *(a) On disposal; or*			

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(b) When no future economic benefits or service potential is expected from its use or disposal.” Section 40 (d), Chapter 10 of the GMA states that: *“All unserviceable property shall be reported in the Inventory and Inspection Report of Unserviceable Property (IIRUP). PPE reported in the IIRUP shall be dropped from the books by debiting Impairment Loss-Property, Plant and Equipment (cost of the PPE less Accumulated Depreciation.”* While the unserviceable property were reported in the IIRUP as required under the above provision of the GAM, the same were not yet dropped from the books contrary to Section 40 (d), Chapter 10 of the GAM. In view of the above-cited deficiencies, the correctness of the net book balance of the Property, Plant and Equipment (PPE) account as of December 31, 2017 in the amount of P216.473 million could not be ascertained.			
<u>The accuracy, validity and existence of the Accounts Payable – Head Office account inclusion of: a) dormant accounts amounting to P73.962 million which were outstanding for more than two to seven years; and b) accounts with abnormal or negative balances in the amount of P85.327 million.</u> Section 2a, Chapter 6 of the Government Accounting Manual (GAM) defines Accounts payable as valid and legal obligations of National Government Agencies (NGAs)/Operating Units (OUs), for which, goods/services/projects have been delivered/rendered/completed and accepted, regardless of the year when these obligations were incurred. Section 6, Chapter 2 of the GAM states that *“‘Each entity shall recognize and present its financial transactions and operations conformably to the following:* *a. Generally accepted government accounting principles in accordance with the Philippine Public Sector Accounting Standards (PPSAS) and pertinent laws, rules, and regulation;*	It was recommended and the Management agreed to require the Accounting Division to: a. Review documents supporting the payables to determine their validity and completeness; then revert to the Corporate General fund all undocumented payables which have been outstanding for more than two years; and b. Review / analyze the entries made which resulted in the negative balances of the accounts payable and prepare the necessary adjusting entries.	The Management have started derecognizing the long outstanding accounts payable peso and dollar accounts and we will continuously monitor our records and strictly comply with the provisions on recognition and presentation of financial transactions and derecognition of financial liability as provided under the GAM.	Fully Implemented - **JEV 18-05-0077P** Prepared to determine validity and completeness of documents supporting the payables Fully Implemented - **JEV 18-05-0078P** Prepared to adjust entries made which resulted in the negative balances of the accounts payable.

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b. Accrual basis of accounting in accordance with the PPSAS; xxx." Section 17, Chapter 7 of the GAM states that: *"An entity shall remove a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged, waived or cancelled, or expires."* As of December 31, 2017, the Accounts Payable – Head Office account of the OWWA has a balance of P210.938 million broken down as follows: **Particulars** / **Amount** Accts Payable - Peso / P 186,148,236.00 Accts Payable – Dollar US$496,011.63 / 24,707,827.00 Accts Payable Euro - €1,350 / 82,176.00 (Total) / **P210,938,239.00** Review of the Schedule of Accounts Payable account showed the following deficiencies: Accounts Payable Peso and Dollar accounts in the amount of P55.563 million and $369,368 or P18.399 million, respectively, or a total of P73.962 million remained dormant for two to seven years. Considering the length of time that have elapsed, and if these payables are valid and supported with complete documents then, there is no reason why the same were not paid/settled. Verification disclosed that the Accounts payable balance included accounts with abnormal or negative balances in the amount of P45.910 million for peso accounts and $791,300 or P39.417 million, for dollar accounts or a total of P85.327 million. The negative balances were the result of debiting the account payable for payments of various expenses such as air fare cost, repatriation cost, claims for employee benefits, payment to suppliers but the corresponding Accounts Payables were not set up prior to the said disbursements/payments.			

Particulars	Amount
Accts Payable - Peso	P 186,148,236.00
Accts Payable – Dollar US$496,011.63	24,707,827.00
Accts Payable Euro - €1,350	82,176.00
	P210,938,239.00

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In view of the above-cited deficiencies, the accuracy, validity and existence of the Accounts Payable – Head Office account with a balance of P210.938 million as of December 31, 2017 were doubtful.			
COMPLIANCE AUDIT **Cash Advances in the amount of P33.534 million remain unliquidated and/or dormant as of December 31, 2017 contrary to COA Circular Nos. No. 97-002 and 2016-005, thus depriving the agency of funds for its operation.** As a rule, cash advances must be liquidated within the prescribed periods depending upon the nature and purpose of the particular cash advance, as provided under COA Circular No. 97-002 dated February 10, 1997, restating with amendments, the rules and regulations on the granting, utilization and liquidation of cash advances. COA Circular No. 2012-004 dated November 28, 2018 was issued as a final notice and demand to all concerned accountable officers to settle and liquidate all cash advances outstanding as of December 31, 2011 on or before January 31, 2013, as well as the filing of appropriate charges to the erring accountable officer. COA Circular No. 2016-005 dated December 19, 2016 was issued to provide the guidelines/procedures on the write-off of Dormant receivable Accounts, Unliquidated Cash Advances and Fund Transfers of National Government Agencies, Local Government Units, and Government-Owned and Controlled Corporations. COA Circular No. 2016-005 states that the Account shall: *"Conduct regular and periodic verification, analysis and validation of the existence of the receivables, unliquidated cash advances and fund transfers, and determine the concerned debtors, accountable officers and the source and implementing government entities concerned; xxxxxx; and* *Prepare aging of dormant receivables, unliquidated cash advances, and fund transfers on a quarterly basis to support the request for write-off, xxxx."*	It was recommended and Management agreed to request for authority to write-off its Dormant Unliquidated Cash Advances and follow the procedures prescribed under COA Circular No. 2016-005. Management is currently preparing a request for authority to write-off and gathering documents prescribed under the said Circular to support their request thereof.	Prepare request for authority to write-off its Dormant Unliquidated Cash Advances and follow the procedures prescribed under COA Circular No. 2016-005	Partially Implemented - Documentary requirements are now for finalization for the request to write-off.

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Our review of the Quarterly Report on Unliquidated Cash Advances showed that a total of P70.087 million cash advances remain unliquidated as of December 31, 2017. Of that amount, P36.553 million are current unliquidated cash advances while the remaining P33.534 are long outstanding cash advances. Analysis showed that, except for a few accounts, most of the long outstanding cash advances are dormant unliquidated cash advances which remain non-moving for ten years or more. Records show that, in May 2014, the then COA Auditor, in compliance with COA Circular No. 2012-004, sent a letter to the Director-in-Charge, Special Services Sector, COA, informing him of the inability of the COA-OWWA team to file criminal/administrative cases against Accountable Officers (AOs) despite the issuance of demand letters due to various reasons, as follows: a) The lack of jurisdiction over Non-OWWA AOs who were former officials/employees of the Department of Labor and Employment. b) AOs were on AWOL status; c) AOs are already deceased, retired or resigned d) Addresses of AOs were unknown; and e) Documents were either disposed of or damaged due to flood or typhoon. Relative to the follow-up made by the former COA Auditor, Management also executed an Affidavit on the actions taken by them to liquidate said advances, the current status of the same and the justification for the non-filing of criminal administrative cases on the said AOs. In the said Affidavit, it was disclosed that the cash advances which gradually built up through years since 1987 have remained unliquidated despite efforts to enforce the liquidation or submission of proper documents. It also stated that some of the accountable officers have submitted their liquidated reports, provided explanations for failure to liquidate, yet a number of them have not complied or settled their accountabilities. Considering the length of time that has elapsed, the cash advances still remain unliquidated and dormant in the books of accounts.			

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<u>Unserviceable Property in the amount of P35.179 million was not disposed contrary to Section 79 of PD 1445.</u> Section 79 of PD 1445 states that: *"When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission, xxx."* The Inventory Team reported various unserviceable properties in the Inventory and Inspection Report of Unserviceable Property (IIRUP) as required under Section 40 (d) of the GAM. However, no plan as to its disposition was indicated in the report. Most of the properties are aged as far back as 1990s. Due to the non-disposal, we believe that the properties have deteriorated to a large extent in terms of salvage value or became obsolete and have occupied space for a considerable time which could have been utilized for other purposes.	It was recommended and management agreed to dispose of unserviceable properties itemized in the Inventory and Inspection Report of Unserviceable Property as of December 31, 2017.	PPMD already prepared the appraisal report for signature of the Appraisal and Disposal Committee.	Fully Implemented
PERFORMANCE AUDIT **<u>OWWA's low collection efficiency and the absence of an effective loan collection policy resulted in the non-collection of Loans and Receivables in the amount of P415.294 million which have been outstanding for one year to more than ten years, thus depriving the agency of funds that could have been utilized for other projects.</u>** The Loans and Receivable account shows a balance of P501.846 million as of December 31, 2017. Of that amount, P402.054 million or 80 per cent come from Regional Welfare Offices (RWOs) and P99.749 million or 20 per cent from the Head Office. The account balance	It was recommended that Management: a. Strengthen its collection efforts and reassess, and/or revise OWWA collection/recovery of loan policies, if necessary. Specifically: • Strengthen the monitoring scheme of collection/repayment of outstanding loan receivables by sending regular statements and follow-ups;	1. Require RWOs to submit matrix of all the loan balances and statement of accounts indicating the total claim from the loan borrowers. 2. A special team must be created to individually visit and monitor individual borrowers to determine the current status of	Partially Implemented 1. Employees are instructed to monitor borrowers with outstanding loan obligations. 2. Demand letters were sent to loan borrowers.

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also showed that P86.552 million or 17 per cent are current collectibles accounts while the remaining P415.294 million or 83 per cent are already past due and remain uncollected. Of the past due accounts of P415.294 million, P99.749 million or 24 per cent come from Head Office while P315.545 million or 76 per cent from ROWs. The current accounts in the amount of P86.552 million are the Special Financial Assistance granted to Mohammad Al Mojil Group (MMG) and Saudi OGER Ltd (SOL) OFWs. Memorandum of Instruction (MOI) No. 002, Series of 2000 dated February 2, 2000 provides the guidelines and procedures for the implementation of the Livelihood Development Program for OFWs (LDPO). This program is the primary financing facility for the economic component of the agency's Reintegration Program and is secured by collaterals. Section XV of the said MOI provides the provision for Reloan, Repayment Terms, Penalties and Restructuring of Accounts which defines the loan payment procedures to be undertaken by the borrower. No procedures however were provided in the MOI which the OWWA will undertake to monitor accounts before these become past due and to mitigate the risk of non-collection considering that these are business type of loans mostly secured only by chattel mortgage. Likewise, Section XVI of the same MOI provides for the Foreclosure and Disposal of Acquired Assets. As mentioned in the 2016 Management Letter of RWO-CAR, foreclosure of property was not done because it is a tedious process and needs additional funds and personnel to implement the extra judicial proceedings. Moreover, memorandum of Instruction No. 001, Series of 2009 dated January 12, 2009 provides for the guidelines for the implementation of the Filipino Expatriate Livelihood Support Fund (FELSF). Section VI (D) on Collection Procedure states: *Collection of loan payment shall be done by the RWOs through the different modes, like direct payment to the appropriate Regional Office, postal money order and other recognized financial intermediaries, such as banks, remittance centers, etc. xxx. The collection procedure shall progress*	• Require the regular updating of OFW loan record to update specifically addresses to ensure correctness of the billing statements; • A Status Report may be prepared regularly to identify the issues and problems specific to each creditor and to better assess the collectability of the loan balances; • Consider the possibility of granting amnesty of penalties/surcharges to encourage delinquent borrowers to settle their accounts; and • Resort to legal remedies to enforce collection of accounts in default, if warranted. b. Enforce strict implementation of the policies/procedures in all RWOs. Management to hire experts in finance and banking, as well as forge arrangements or partnerships with financial institutions, to assist in implementing said loan programs pursuant to Section 23 (3) of Republic Act 10801.	the borrower, their present address and their collateral. 3. Issue demand letters on all borrowers, together with computation of his/her outstanding loan obligation, indicating therein the corresponding interest and the penalties. 4. Extrajudicial foreclosure or Loan Restructuring may be instituted by RWOs, in accordance with the prescribed legal procedures.	

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through three (3) stages: reminders, follow-up and appropriate legal measure." However, despite the above-mentioned guidelines, we noted low collection efficiency in different RWOs as follows: a. In RWO I, Loans receivable totalling P13.628 million was past due with a low collection rate averaging 2.18 per cent for the last seven years. b. Loans receivable totalling P18.238 million in RWO II has been outstanding for more than one year to more than ten years. c. In RWO V, only P81,878 was collected during the year for loans granted under the livelihood programs leaving a balance of P16.7 million as of December 31, 2017. d. Loans receivable in the amount of P15.184 million in RWO VI has remain outstanding for more than three to four years. e. In RWOX, the Loans receivable aged to 15 to 27 years totalling P7.80 million are deemed uncollectible due to various reasons cited such as borrowers are dead, can no longer be found in their addresses, their businesses were discontinued, among others. The low collection efficiency rate denotes that control measures were not adopted to ascertain the actual/proper use of funds to ensure prompt payment of the loans. Further, the accumulation of past due accounts defeated the purpose for which the loan programs were granted.			