Performance Audit Report

PAO-2023-03

SMALL BUSINESS WAGE SUBSIDY (SBWS) PROGRAM

The SBWS Program Accorded Immediate Relief to 3.1 million Employees during Lockdowns but a Substantial Number of Target Beneficiaries under Non-essential Category were not Served due to Implementation Issues that Impacted on the Attainment of Program's Objective



Audit Highlights

September 2023

Small Business Wage-Subsidy Program

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Why COA Did This Study

The global economy was significantly impacted by the outbreak of the COVID-19 pandemic in early 2020. In response, the Philippine government declared a nationwide state of calamity and enforced the Enhanced Community Quarantine (ECQ). Similarly, the Department of Finance (DOF) recognized that the community quarantines affected 5.8 million employees from the formal economy sector.

On April 16, 2020, the DOF initiated the Small Business Wage Subsidy (SBWS) Program through the Bureau of Internal Revenue (BIR) and the Social Security System (SSS). This program aimed to support formal economy sector businesses and their employees affected by the COVID-19 pandemic. The SBWS Program, funded by Republic Act No. 11469, commonly called the "Bayanihan to Heal as One Act," received a total allocation of ₱51 billion, intended to provide wage subsidies to approximately 3.4 million impacted employees.

This audit seeks to evaluate the economy, efficiency, and effectiveness of the Program by examining the following: (1) the extent to which program implementers met the goals and objectives of the SBWS Programs for the formal economy sector; (2) the challenges, if any, impacting the efficient and timely implementation of the programs; and (3) the extent to which the implementing agencies ensured proper administration of the financial assistance/ wage subsidy program.

COA reviewed relevant laws, regulations, rules, and memoranda to ascertain the program's purpose, objectives, and goals. COA interviewed officials from the DOF, BIR, and SSS Program managers. To validate reports on program awareness, eligibility, and subsidy distribution, COA also interviewed employers of establishments that applied for the program and surveyed SBWS Program beneficiaries from specified business establishments. Finally, COA conducted interviews and online application process walkthroughs for the program.

What COA Recommends

Although the SSS implemented swiftly the SBWS Program for impacted formal economy sector employees during the pandemic, a similar situation may occur in the future, and similar measures will be undertaken. Therefore, COA recommends that SSS in coordination with DOF and BIR: (1) conduct risk assessment to identify potential problems and develop appropriate strategies and mitigating measures to address them; (2) revisit and improve the identification process of target beneficiaries to ensure that all affected employees receive equal opportunity to apply to the program; (3) enhance the system used in SBWS Program to consider incorporating among other, features on preventive validation controls on data entry of applications, processing, approval and payout of wage subsidies; use of national ID system and the SSS UMID ATM cards for efficient verification and payouts; data sharing of compatible databases from different programs and mechanism readily accessible to beneficiaries on the verification of status of applications and payouts (4) formulate and implement robust information campaign for effective dissemination of program materials and announcements; and (5) enhance the process on voluntary return of wage subsidies from ineligible beneficiaries.

On the other hand, to ensure that program funds have been appropriately utilized and only eligible beneficiaries received the wage subsidies, COA recommends that SSS in coordination with DOF and BIR should identify the ineligible beneficiaries through post-implementation verification of TINs and take necessary steps for the immediate recovery of the wage subsidies provided to ineligible beneficiaries.

What COA Found

The SBWS Program aims to provide immediate relief to employees in the formal economy sector affected by the imposition of the enhanced community quarantine to address the COVID-19 public health emergency. The use of digital platform facilitated the processing of applications and timely release of wage subsidies amounting to ₱45.1 billion or 89 percent of the allocated budget of ₱51 billion. Out of the 3.4 million target number of employees, a total of 3.1 million or 91 percent received wage subsidies from April 29, 2020, to June 25, 2020. Nevertheless, critical challenges in the program implementation affected the efficiency and effectiveness of the program.

Budget Utilization of the Program



Source: SSS SBWS Program Liquidation Report as of April 30, 2022

The program's target to reach out and help affected employees in the small businesses, whose businesses did not full operate during lockdowns, fell short by 41 percent or about 717,442 employees. On the other hand, the program had fully served the target number of employees in the quasi-essential businesses with skeletal force and even exceeded by 25 percent or 412,077 employees. Moreover, the program did not cover the employees belonging to the essential categories affected by the imposition of community quarantine. The SSS confirmed that one of the factors affecting the attainment of the target was information dissemination.

The online application system facilitated the program implementation. However, there were gaps and limitations noted in the data entry and verification and payout processes causing delay in the payment of wage subsidy. At the onset, no official or employee checks the initial data inputs of encoders such as the employees' name, TIN, bank account and mobile number. Subsequently, SSS instituted procedures for validation and correction, but time constraints in the program implementation pre-empted the full validation and correction of data. The incomplete and invalid information of employees resulted in the payment of ₱1.92 billion to 132,506 beneficiaries with duplicate/invalid TIN, and unclaimed payouts for 77,167 and 17,205 beneficiaries in remittance centers and bank accounts, respectively. The absence of reliable databases of program beneficiaries for verification and matching purposes caused incorrect tagging in the processing of applications. Also, delayed release and unsuccessful payouts defeats the objective of providing immediate relief to the intended employee beneficiaries.

Further, the implementation challenges and short timeframe to implement the program; the ₱6.7 billion unsuccessful/rejected payouts and the return of ₱5.7 billion to the Bureau of the Treasury impacted on the effectiveness and efficiency of the SBWS Program.

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Acronyms

4Ps	Pantawid Pamilyang Pilipino Program
ATM	Automatic Teller Machine
BARMM	Bangsamoro Autonomous Region in Muslim Mindanao
BIR	Bureau of Internal Revenue
BPO	Business Processing Outsourcing
BTr	Bureau of Treasury
BSP	Bangko Sentral ng Pilipinas
CAMP	COVID-19- Adjustment Measures Program
CHED	Commission on Higher Education
COA	Commission on Audit
COBIT	Control Objectives for Information Technologies
COVID-19	Coronavirus Disease 2019
CY	Calendar Year
DBM	Department of Budget and Management
DepEd	Department of Education
DOF	Department of Finance
DOLE	Department of Labor and Employment
DOT	Department of Tourism
DSA	Data Sharing Agreement
DSWD	Department of Social Welfare and Development
ECQ	Enhanced Community Quarantine
E.O.	Executive Order
ESP	Emergency Subsidy Program
FAQS	Frequently Asked Questions
IATF	Inter-Agency Task Force
ICSPPS	Internal Control Standards for the Philippine Public Sector
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
ITMG	Information Technology Management Group
JMC	Joint Memorandum Circular
LBP	Land Bank of the Philippines
LGU	Local Government Unit
MECQ	Modified Enhanced Community Quarantine
NCR	National Capital Region
PAO	Performance Audit Office
PD	Presidential Decree
PSA	Philippine Statistics Authority
PSIC	Philippine Standard Industrial Classification
RA	Republic Act
SAP	Social Amelioration Program
SBWS	Small Business Wage Subsidy
SFTP	Secure File Transfer Protocol
SMS	Short Messaging Service
SPTF	SBWS Program Task Force
SSS	Social Security System
TESDA	Technical Education and Skills Development Authority

Acronyms

TIN	Tax Identification Number
UMID	Unified Multi-Purpose ID
URL	Uniform Resource Locator

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

September 25, 2023

Mr. ROLANDO L. MACASAET
President and Chief Executive Officer
Social Security System (SSS)
East Avenue, Diliman, Quezon City

Dear **President and CEO Macasaet**:

The Commission on Audit (COA) conducts performance audits to assist government agencies in better performing their mandates and achieving program goals and objectives more economically, efficiently, and effectively, in line with its vision of becoming an enabling partner of the government in ensuring a better life for every Filipino. In this regard, the Commission has identified the Small Business Wage Subsidy (SBWS) Program as one of the priorities to be audited.

With the COVID-19 pandemic in the Philippines in 2020, the government imposed a community quarantine to contain the spread of the virus, forcing some businesses to close temporarily or permanently. Consequently, the Philippine Statistics Authority (PSA) announced a record-high unemployment rate of 17.70 percent in April 2020, accounting for 7.30 million[1] Filipinos, up from 5.30 percent in January 2020[2].

Following Republic Act No. 11469 and in partnership with the Department of Finance (DOF) and the Bureau of Internal Revenue (BIR), the SSS implemented the SBWS Program in response to the negative impact of the pandemic on formal sector employees. The program provides a wage subsidy of ₱5,000 to ₱8,000 per month for two months to complement the social amelioration programs under the Bayanihan to Heal as One Act by providing targeted support to formal sector employees and employers.[3]

The audit focused on three aspects of the Program: (1) the extent has the program implementers met the goals and objectives of the SBWS Program for

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[1] Philippine Statistic Authority (PSA), Employment Situation in April 2020, *available at* https://psa.gov.ph/content/employment-situation-april-2020 (last accessed: July 28, 2022)
[2] PSA, Employment Situation in January 2020 *available at* https://psa.gov.ph/content/employment-situation-january-2020
0#:~:text=SUMMARY%20STATISTICS&text=b)%20Employment%20rate%20in%20January,42.5%20million%20total%20employed%20persons (last accessed: July 28, 2022)
[3] Bayanihan to Heal As One Act, Republic Act No. 11469, par. 2 p.1

the formal economy sector; (2) the challenges, if any, impacting the efficient and timely implementation of the programs; and (3) the extent has the implementing agencies ensure proper administration of the financial assistance/ wage subsidy program.

This audit was carried out from June 2021 to July 2022. We reviewed significant program policies, joint memoranda circulars, resolutions, accomplishment reports, and the program's database during this period. We also conducted surveys and interviews with selected employer and employee beneficiaries, as well as interviews and online process walkthroughs with key officials and stakeholders of the program to assess the extent of coordination and the roles of partner agencies.

The audit was conducted according to the International Standards of Supreme Audit Institutions (ISSAI) 3000 - Standard for Performance Auditing. We believe that the processes we executed during the audit provided sufficient and appropriate evidence that served as a reasonable basis for our audit findings and conclusion based on audit objectives.

Background

1. In response to the sudden increase in COVID-19 cases nationwide, former President Duterte imposed the Extended Community Quarantine (ECQ) across the entire island of Luzon for specific high-risk locations from March 17 to April 13, 2020, with an extension to May 31, 2020.[4] Following the implementation of ECQ, the number of unemployed Filipinos in the labor force increased from 5.3 percent or 2.4 million in January 2020 to 17.7 percent or 7.3 million in April 2020.[5]

2. Republic Act (R.A.) No. 11469, also known as the "Bayanihan to Heal as One Act of 2020" (Bayanihan Act 1), was signed into law on March 24, 2020. With the passage of the law, the Department of Social Welfare and Development (DSWD) ensured the provision of safety nets and the implementation of Social Amelioration Programs (SAPs) and services that subsidized the provision of necessities and served as a tool for the recovery and rehabilitation of the most affected families and individuals.[6] Beneficiaries of DSWD's SAP are low-income households, individuals in the subsistence economy, and employees in the informal economy.[7] For one of the essential SAPs, the Emergency Subsidy Program (ESP), beneficiaries receive a subsidy ranging from ₱5,000 to ₱8,000 based on the proportion of minimum wage rates in each region.[8]

3. On April 14, 2020, the President of the Philippines approved the SBWS Program to complement the SAP and provide wage subsidies to formal sector employees. SSS, DOF, and BIR issued Joint Memorandum Circular No. 001-2020 on April 28, 2020, to outline implementation guidelines for the SBWS Program.

What is SBWS Program?

4. The SBWS Program is a joint undertaking of the SSS, DOF, and BIR to provide financial assistance of ₱5,000 to ₱8,000 for up to two months to employees in the formal economy sector who were unable to work due to the temporary closure of businesses affected by the ECQ and other forms thereof imposed in Luzon and other parts of the country in response to the COVID 19 public health emergency.[9]

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[4] *IATF Resolution No. 37 Series of 2020.* (2020, May 15).
[5] PSA. (2020, June 5). *Employment Situation in April 2020.* Retrieved from https://psa.gov.ph/content/employment-situation-april-2020. (last accessed June 15, 2022)
[6] DSWD. (2020, March 30). *MC-2020-04 Special Guidelines on the Provision of Social Amelioration Measures by the Department of Social Welfare and Development to the Most Affected Residents of the Areas under Community Quarantine and Continuation of the Implementation of the Social Pension for Indigent Senior Citizens and the Supplementary Feeding Programs.* Pp. 1-2.
[7] *Ibid*. p. 8.
[8] *Ibid*. p. 5.
[9] DOF-SSS-BIR Joint Memorandum Circular No. 001-2020, April 28, 2020, §1, pp. 1-3

Budget Formulation

5. As indicated in Table 1, on April 20, 2020, the Office of the President approved the funding for the SBWS Program for ₱51 billion, including administrative expenditures of ₱200 million. The ₱51 billion budget was based on the determined 3.4 million beneficiaries. The Bureau of Treasury (BTr) should have deposited the fund into the SSS depository account at the Land Bank of the Philippines (LBP),[10] however, the BTr and SSS subsequently opted to change the SSS depository account to the Development Bank of the Philippines (DBP).[11]

Table 1: Fiscal cost of SBWS Program for two months (Amount in Billion Pesos)

	Category A (Non-essentials)	Category B (Quasi-essentials)	Category C (Essentials)	Total
Examples	Mall, Other retail	BPO, other manufacturing	Markets, Food manufacturing, and delivery	
IATF Order	Forced to Closed	Can operate with a skeletal workforce	Can fully operate	
Fiscal cost for employees in the alpha list (primary)	19.9	18.4	Not Included	38.3
Fiscal cost for employees not in the alpha list (secondary)	6.5	6	Not Included	12.5
Total fiscal cost for two months	26.4	24.4	Not Included	**50.8**
Total administrative cost	-	-	-	0.2
Total SBWS Program Cost				**51.0**

Source: Memorandum to the President DOF SBWS Program Proposal submitted to the President

6. Through the SSS, the DOF rolled out the SBWS Program on April 16, 2020, following the DSWD's SAP and DOLE's COVID-19 Adjustment Measures Program (CAMP). A comparison of these programs is shown in Table 2.

[10] Memorandum of Agreement Bureau of Treasury and Social Security System. (2020, April 20)
[11] Amendment to MOA BTr and SSS. (2020, April 28).

Table 2: Amelioration Programs Comparison

PARTICULARS	SAP-ESP	CAMP 1	SBWS	CAMP 2
Agency/ies	DSWD, LGU	DOLE	DOF, BIR, SSS	DOLE-DOT-DepEd-CHED-TESDA
Target Beneficiaries	Low-income households belonging to the informal sector	Employees in the Formal Economy Sector affected by Flexible Work Arrangements or temporary closures during the pandemic	Small business employees affected by the ECQ	Same Targeting from CAMP-1 with the inclusion of the Education and Tourism Sectors as beneficiaries
Target Numbers	18 million low-income households	657,201 affected formal employees	3.4 million small business employees	851,000-Regular 600,000- Tourism 59,000 -Education
Budget	₱200 billion	₱3.286 billion	₱51 billion	₱7.5 billion
Amount of Subsidy	₱5,000 - ₱8,000	₱5,000	₱5,000 - ₱8,000	₱5,000
Number of Tranches	2	1	2	1

Source: COA Analysis

7. **Small Business Employers.** The SBWS Program intends to assist the employees of small businesses impacted by the ECQ, which the DOF classified into three categories: Category A (Non-essentials), Category B (Quasi-essentials), and Category C (Essentials).[12] Only Category A and Category B small businesses may apply for wage subsidies for employees who could not work and were not paid. Category C businesses are considered unaffected by the ECQ because they can remain open during the quarantine period. In contrast to Category A and B businesses, the IATF Guidelines and government orders do not restrict the commercial activities of Category C businesses.

8. **Wage Subsidies.** The SBWS Program followed the provisions of the Bayanihan Act 1 in providing financial assistance in two tranches ranging from ₱5,000 to ₱8,000. The Program considered the time businesses were closed due to community quarantines. At the time of planning, establishments were expected to remain shuttered until May 2020. The subsidy shall be calculated based on the regional minimum wage rate. (*see Table 3*)

[12] Category A (non-essentials) are small businesses that are forced to close down. Category B (quasi-essentials) are those allowed to operate a skeleton force. Category C (essentials) are those allowed to operate during ECQ

Table 3: Wage Subsidy Amount per Region

Region	Monthly wage subsidy per worker (pesos)	Region	Monthly wage subsidy per worker (pesos)
NCR	8,000	VII	6,000
CAR	5,500	VIII	5,000
I	5,500	IX	5,000
II	5,500	X	6,000
III	8,000	XI	6,000
IV-A	8,000	XII	5,000
IV-B	5,000	CARAGA	5,000
V	5,000	BARMM	5,000
VI	6,000		

Source: DOF-SSS-BIR Joint Memorandum Circular 2020-01

9. The subsidy amount provided in each tranche was based on the SAP per region, with adjustments made for Regions III and IV-A due to the prevalent daytime migration of residents in these areas to NCR for employment. However, the ₱5,000 received by an employee beneficiary under CAMP 1 will be deducted from the pay subsidy in the second tranche. Hence, employees from regions IV-B, V, VIII, IX, XII, CARAGA, and BARMM with a minimum wage subsidy rate of ₱5,000 who have previously received financial support from CAMP 1 will not be eligible for tranche 2 of the SBWS Program.

10. Following the Bayanihan Act 1 prohibiting undue claims for financial assistance, only beneficiaries of the DOLE CAMP were considered for the SBWS Program, as CAMP 1 and the SBWS Program covered the same formal sector participants. However, some programs such as SAP-ESP, had a distinct set of requirements that targeted low-income households in the informal sector.

11. DOF uses data from various government agencies and surveys, from the PSA. DOF estimated that there were 5.9 million employees in the formal economy sector, of which 1.77 million were classified as non-essentials or Category A, 3.28 million employees belonged to Category B or quasi-essential businesses, which can operate with a reduced workforce, and Category C were essentials businesses that could operate at full capacity during the pandemic. During the planning phase, the DOF estimated that 100 percent of employees in the non-essential category would be affected by the business closure due to the pandemic, while 50 percent of employees in the quasi-essential category, totaling 1.64 million, would be affected. Employees in the essential category are excluded, as they can continue to work during the pandemic. There were a total of 3.4 million affected employees in the formal sector.

Challenges faced in achieving 91 percent of the 3.4 million targeted beneficiaries

12. ***The SBWS Program was launched in response to a state national emergency declaration due to the severe interruption of economic operations caused by the COVID-19 pandemic. Using online application processes, the program distributed ₱45.1 billion out of ₱51 billion to serve 3.1 million or 91 percent of its 3.4 million targeted beneficiaries in the formal economy sector. Despite this, implementers encountered some challenges, including the (a) non-coverage of industries under the essential category affected by the implementation of ECQ; (b) failure to reach 41 percent of the targeted non-essential small businesses; (c) release of ₱1.92 billion to ineligible employees due to inaccurate information; and (d) delayed release of ₱109 million wage subsidy*.**

13. The SBWS Program utilized the BIR and SSS databases to target affected small businesses and their employees better. The program incentivized small businesses that comply with tax regulations and mandated contributions by utilizing the SSS and BIR systems.[13] Accordingly, through online application processes, the program was able to distribute ₱45.1 billion to 3.1 million employee beneficiaries.

14. In selecting the prioritized target beneficiaries, the BIR pre-qualified the small business employers based on the eligibility requirements outlined in the program's guidelines.[14] Using the BIR Database, the BIR generated a list of pre-qualified employers and sent it to the SSS for further pre-validation. With the SSS automated system, the SSS validated the eligibility of the BIR-provided pre-qualified employers.[15] After validating the pre-qualified employers, the SSS pre-validated the eligibility of the employees under the eligible employers.[16]

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[13] DOF Program Proposal - Memorandum for the President (2020, April 13). p. 5.
[14] JMC 001-2020 requires, as far as BIR is concern, that the employers must be from industry classified as Non-essential or Quasi-essential in view of the ECQ and other forms thereof, imposed in Luzon and other parts of the country. The employers must be registered in the BIR and have complied with tax obligation in the past three years, up to January 2020.
[15] JMC 001-2020 requires the eligible employers to be registered in the SSS and must have paid SSS contributions in the past three years, up to January 2020.
[16] JMC 001-2020 requires that the employee must have no pending or settled SSS Unemployment benefit and must have no unsettled or in-process SSS final claims (Funeral, Retirement, Death, and Total Disability).

15. To apply for the program, employers must check their pre-qualification status on the SBWS Program Query Homepage on the BIR's website.[17] Next, pre-qualified employers acquire a passcode that will be used on the SSS website to apply for the program and apply their eligible employees via the My.SSS portal.[18] The employer must next submit the completed application e-form using a secure portal emailed directly to the employer by the SSS or upload the completed Microsoft Excel application form to sbws.gov.ph.

16. As at June 29, 2020, the SSS has received 173,564 employer applications and approved 3.1 million employees, representing 91 percent of the program's target.[19] Notwithstanding constraints on movement and face-to-face interactions, the program was able to accommodate program applicants through the use of the BIR and SSS databases and the digitization of the application process. In addition, the digitization of the online process helped the program reached 91 percent of its targeted beneficiaries. It reduced the health concerns associated with its manual application as the conventional method of providing financial assistance.

Automated payouts aided the distribution of ₱45 billion in subsidies to 3.1 million beneficiaries

17. As the Bayanihan Law requires, the program employed available technology to distribute wage subsidies directly to the preferred payout option of qualified beneficiaries, thereby eliminating interaction with other persons and reducing the risk of contracting or transmitting COVID-19. In addition, employing these technologies may help prevent potential irregularities in distributing financial assistance, as the intended beneficiaries will receive assistance directly from program implementers.

18. The SBWS Program Task Force (SPTF) sought assistance from the DBP to expedite the distribution of wage subsidies to eligible beneficiaries. As a result, its payment facilities enabled the distribution of wage subsidies through PESONet-accredited banks, remittance centers, and e-wallets.[20]

19. After processing the applications of small business employers, the SSS must generate and transmit payment files to the DBP to process the wage subsidy payments for approved beneficiaries. The wage subsidies will be claimed following the employers' chosen mode of payment[21] during the application.

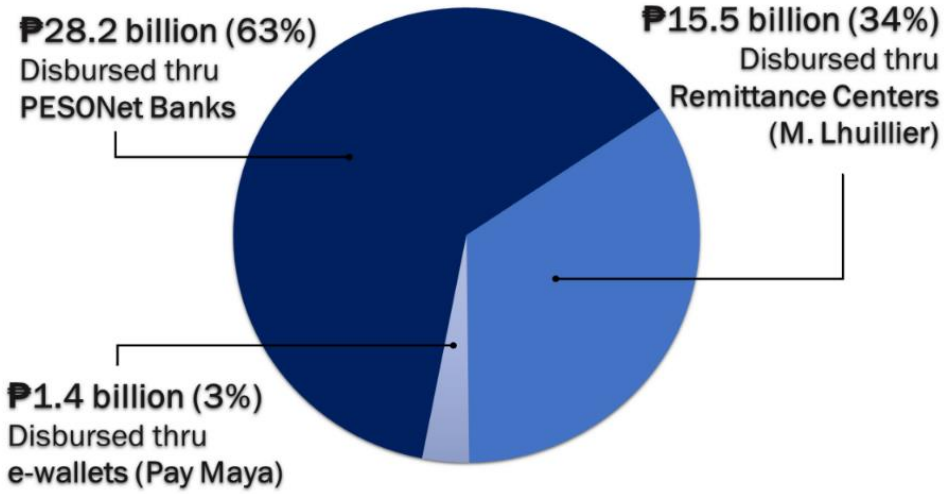
20. As at April 30, 2022, the SBWS Program liquidation report indicates that ₱45.1 billion of the program's budget was distributed to beneficiaries. As

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[17] The SBWS Program Homepage requires the employer's TIN to be entered in its search box. A green prompt will pop-up if the employer is qualified showing the business registered name and an alphanumeric passcode. A red prompt will pop-up for unqualified or if wrong TIN is entered.
[18] SSS, Member Login, *available at*: https://member.sss.gov.ph/, (last accessed June 15, 2022)
[19] SBWS Program Task Force Report No. 71 (2020, June 29). p. 2.
[20] Supplemental Agreement, SSS and DBP (2020, April 28).
[21] Modes of payment (in partnership with DBP): 1. Withdrawal via employee's SSS UMID; 2. Withdrawal from employee's bank account for PESONet participating banks; 3. Employee's Union Bank Quick Card (partnership with SSS); 4. Employee's e-wallet (PayMaya); and 5. Cash pick-up arrangement through M-Lhullier.

illustrated in Figure 1, 63 percent, or ₱28.22 billion, were released to the registered bank accounts of the beneficiaries. The remaining 34 percent and three percent were distributed through remittance centers and e-wallets, respectively.

Figure 1: Payout Distribution of Subsidy



Source: COA Analysis

21. Survey results indicated that 55 percent, or 304 out of 550 beneficiary responses, indicated that the wage subsidy was used to purchase food during the ECQ. 28 percent, or 158 responses, answered that it was used to pay utility bills, while 13 percent, or 70 responses, stated that it was used to pay rent.

SBWS Program did not cover employees from industries under essentials category affected by ECQ

22. The SBWS Program targeted small businesses affected by ECQ restrictions; however, the categorization of small businesses excluded affected small businesses' employees under Category C: Essentials.

23. During the ECQ, only businesses that provided the necessities were permitted to operate. These businesses were compelled to implement a stringent skeletal workforce to support operations, in addition to the strict minimum health protocols.[22] As enterprises not exempted from ECQ restrictions were made to cease operations temporarily, their employees were left without a source of income.

24. The SBWS Program guidelines grouped the qualified employees of these small businesses affected by the ECQ into Category A – Non-essential; and Category B – Quasi-essential. In addition, the program specified using the

[22] IATF Resolution No.14, series of 2020, pp. 3-5

Philippine Standard Industrial Classification (PSIC) of 1994 to classify small businesses correctly.[23]

25. Employers were pre-qualified for the program by the BIR using their registered PSIC code. This eliminates the need to determine physically whether or not a small business is subject to the ECQ's restrictions. *(see Table 4)*

Table 4: PSIC Codes of Eligible Employers

Sector common name	Philippine Standard Industrial Classification (PSIC) code
Category A: Non-essentials	
Non-food raw materials/Non-essential manufacturing	5, 10, 11, 20, 21, 22, 24 to 29, 34, 35, 36, 39
Tobacco	16
Construction	45
Airlines	62
Non-essential services	91, 93, 95
Hotels and restaurants	55
Rental and leasing of personal goods	71
Entertainment	92
Category B: Quasi-essentials	
Textiles, wearables, and leather for export	17, 18, 19
Electronics manufacturing	30, 31, 32
Retail trade	50 to 52
Public transportation/trucking and cargo handling (food and non-food)	60, 61, 63, 64
Business process outsourcing	68, 70, 72, 73, 74
Banks	65, 66
Personal service and domestic activities (salons, laundry, funerals, domestic help, others)	96

Source: DOF-SSS-BIR JMC 001-2020

26. With this category, the program does not cover establishments previously classified as Essentials but functioning with a skeletal workforce or had temporarily ceased operations due to adopting ECQ. Employees not included in the skeletal operation of Category C businesses, such as food manufacturing, are likewise ineligible for financial assistance under this program.

[23] Supra note 9, § II (3-4), pp. 2-3

In the Education Sector, administrative personnel were also denied the opportunity to apply for the program because neither Category A nor B included them. IATF-issued permits to operate with a skeletal workforce are detailed in Figure 2.

Figure 2: Businesses Allowed to Operate During First ECQ (March 15 to April 14, 2020)

Can Operate at Full Capacity	
None	
Can Operate with Skeletal Force	
• **Manufacturing and Processing Plants of Basic Food Products, Essential Products, Medicine, and Medical Supplies** • **Agricultural activities** • **Retail establishments** • **Logistics Service Providers** • **Hospitals and Medical clinics** • **Food Preparations and Water Refilling Stations only for take away and delivery** • **Delivery services** • **Banks and capital markets**	• Power Energy, IT, Telecommunications Supplies and Facilities, Water Disposal Services • Export and Business Process Outsourcing • Airline and Aircraft maintenance employees, including pilot and crew, and ship captain and crew • Media establishments • Hotels • Energy Companies and their third-party contractors • Telecommunications
Cannot Operate	
• **All other businesses**	

Source: *IATF Resolution Nos. 13, 14, and 15, dated March 17, 20, and 25, 2020, respectively*

27. During the program's planning phase, the DOF projected that 436,300 businesses listed in Table 6 would be forced to close, while 1,042,688 were operating with a skeletal workforce. In addition, the DOF assessed that 74,051 businesses fall under Category C: Essentials and can continue to operate during the ECQ. They shall not be included in the program as target beneficiaries except when the ECQ will impair their capacity to conduct business. The IATF only permitted businesses to operate if they utilized alternative work arrangements, including establishments under Category C: Essentials. Besides, it was explicitly provided in the program guidelines that eligible employers are small business employers belonging to non-essential and quasi-essential only. Thus, businesses under Category C: Essentials, even if subject to ECQ restrictions, were still not eligible for the program; hence, afflicted employees under this category cannot apply.

28. The SSS and DOF confirmed that for a business to be qualified for the program, aside from being classified as a small business pre-qualified by the BIR using their database, it must be affected by the imposition of ECQ. In addition, if the small business had the option to remain open during the period of quarantine,

as in the case of those in Category C, their ability to do commerce is not impinged on by the IATF guidelines/government order, unlike in the case of Categories A and B. However, as presented in Figure 2 above, based on the cited IATF Resolutions, no businesses, regardless of their category, were allowed to operate in full capacity from March 15 to April 14, 2020.

29. The DOF further explained that if the establishment was not included in the pre-qualified list, and still, the employer believes they are eligible for the program; it is noteworthy that the SPTF provided a platform to cater to similar concerns by sending their queries to SBWS_BIRquery@bir.gov.ph.

Under the non-essential small businesses, 41 percent of the targeted employees' beneficiaries were not served

30. Overall, 91 percent of the program's targeted small business employees were achieved. Nonetheless, a comparison of total accomplishment to target per category revealed that the program distributed more financial assistance than intended in the quasi-essential category. In contrast, the most affected establishments in the non-essential category that cannot operate, whether in part or in full, during the ECQ were not served.

31. The SPTF oversees communication and dissemination strategies using the official websites of the three agencies (BIR, DOF, and SSS), a Google site dedicated to the SBWS Program, and social media accounts. These agencies were responsible for answering questions regarding their respective roles and obligations outlined in the program guidelines. In addition, they respond to inquiries through their social media and email accounts.[24]

32. The SPTF held several meetings about the program's implementation. Since the primary channel of information dissemination was the social media account of the partner agencies, this social media account was used to issue announcements and respond to various questions by providing canned responses or Frequently Asked Questions (FAQs)[25] regarding the program. The disadvantage of these communication tools is that those who do not have social media accounts cannot directly access this information.

33. A review of the program's 91 percent accomplishment disclosed that Category B exceeded its target by 25 percent but reached only 59 percent in Category A, failing to serve 717,442 Non-Essential Small Business employees, as shown in Table 5 below.

Table 5: Target vs. Actual Number of Beneficiaries

Category	Target	Actual	Difference	% Accomplished
Category A (Non-essential)	1,768,413	1,050,971	(717,442)	59%

[24] Supra note 9, § IX (A-D), pp. 7-9
[25] FAQ for SBWS Program, *available at* https://sites.google.com/dof.gov.ph/small-business-wage-subsidy/frequently-asked-questions (last accessed June 22, 2023)

Category	Target	Actual	Difference	% Accomplished
Category B (Quasi-essential)	1,638,637	2,050,714	412,077	125%
Total	**3,407,050**	**3,101,685**	**(305,365)**	**91%**

Source: COA Analysis

34. **Affected Employees.** Of the 3.4 million target beneficiaries identified by the DOF, 2.6 million were compliant with tax requirements based on the Alphabetical List of Employees/Payees (alphalist) in the BIR database. The remaining 838,472 employees were not in the BIR's database due to the employer's non-submission of alphalists or non-compliance with withholding tax requirements but were also compelled to close or operate with a skeletal staff. The target beneficiaries were further categorized to non-essential and quasi-essential. (see Table 6)

Table 6: Affected Employers and Employees per Category

	Category A (Non-essentials)	Category B (Quasi-essentials)	Category C (Essentials)	Total
Number of Small Businesses (non-LTS Taxpayers)	436,300	1,042,688	74,051	**1,596,654**
Formal Sector Employees	1,768,413	3,277,273	597,240	**5,858,142**
Affected Employees	1,768,413	1,638,637	Not Included	**3,407,050**

Source: DOF SBWS Program Proposal submitted to the President

35. The tri-agency's communication platforms for communicating the program to stakeholders were on their websites and Facebook pages. Facebook notifications, Frequently Asked Questions (FAQs), Step-by-Step guidance via PowerPoint presentations or PDF files, and emails to pre-qualified employers were used to communicate with the beneficiaries. In addition to Facebook live sessions and media interviews, the key implementers of the program provided prospective applicants with guidance. The numerous communication activities launched by the SPTF are detailed in Table 7.

Table 7: SBWS Program Communication Materials

Communication materials	Count	Remarks
Advisories	41	
FAQS	6	
Step-by-Step Guide	7	
Testimonial Cards	16	
Facebook Live Sessions	3	
Website Landing Pages	9	
Emails to Employers	45	Drafts
	16	Finalized

Source: SSS

36. It is noteworthy to emphasize the communication efforts of the SPTF to inform the targeted beneficiaries about the wage subsidy program. The communication strategies work as long as the small business or its representative is active on social media or frequently visits the tri-agencies official website. In addition, the BIR is tasked to notify pre-qualified business employers to avail of the program through the latter's official website. As an alternative, BIR may also inform taxpayers through email when such email addresses of taxpayers are available from their records.

37. We confirmed how establishments were informed by interviewing small business beneficiaries' HR/representatives. Interview results revealed that six percent or two out of 33 with approved SBWS Program applications reported receiving program information by email from SSS/BIR/DOF, and the majority of HR Practitioners learned about the program from the web platform (Facebook announcement, Twitter, online news, and tri-media).

38. Considering that the program is a first come, first serve application, a review of the program's guidelines on achieving the target per category indicated that the program lacked a mechanism to ensure that the target number of beneficiaries in each small business category would be achieved. As a result, the implemented guidelines and procedures did not account for accomplishing the objectives on a per-category basis.

39. Although the program nearly achieved its target for the number of affected beneficiaries, looking at the program's target by category, 41 percent, or 717,442 target employees from non-essential businesses that cannot operate at all during the lockdown, which required financial assistance the most to withstand the negative impact of the pandemic, were underserved in comparison with the businesses that can partially operate.

40. SSS confirmed that one of the factors affecting the achievement of the target was information dissemination. The BIR should have informed the targeted beneficiaries through email instead of posting the information on the BIR website, but could not fully utilize the communication method.

41. DOF commented that all eligible non-essential and quasi-essential businesses were given ample time to avail of the wage subsidy program, and aside from the efforts listed in Table 7, the Officials of DOF, BIR, and SSS also made television appearances to promote the program. However, despite these efforts, the applications received were mainly from quasi-essential businesses. DOF further explained that small businesses targeted by the program (whether nonessential or quasi-essential) must still apply to the program and will not receive the payouts automatically. This is to ensure that the eligibility criteria are met.

Inaccurate information resulted in the distribution of ₱1.92 billion in wage subsidies to beneficiaries with duplicate/invalid TIN.

42. Given the program's limited application period and key implementers' limited capacity to respond to inquiries, information dissemination strategies are essential for the program's efficient implementation. So, the implementer of the program must ensure the accuracy of the information disseminated to the intended user so that they may make informed decisions. The program disqualified 19,963 employees due to disinformation provided by the SSS about the input of 000-000-0000 or random digits TIN. In contrast, SSS granted wage subsidies totaling ₱1.92 billion to 132,506 beneficiaries with duplicate/invalid TIN.

43. Program guidelines stipulated that the SSS must provide the BIR with a list of small business employers who utilized the program, along with the names of employee beneficiaries and their Taxpayer Identification Numbers (TIN), to monitor the number of employers availing versus those pre-qualified.[26]

44. **Disqualified Employees.** To incorporate the program guidelines on TIN into the online application system, employers must supply the employee's name and TIN. However, a discussion with HR representatives indicated that early in the program's implementation, the SSS instructed them through email to submit TIN 000-000-0000 or a random TIN to complete the application process. We have validated this information based on comments made by HR representatives on various social media platforms and based on the minutes of the meeting citing the advice made by SSS. Accordingly, the SSS issued advisories that confused employers and employee beneficiaries regarding TIN information. In addition, SSS instructed the entry of TIN 000-000-0000 or a random TIN in some webinar sessions for the program briefing.

45. Following SSS's instruction and advice, the company's employer/human resources department entered 000-000-000 or a random TIN for those employees who either forgot their TIN or were still applying for one. SSS

[26] Supra note 9, § IX (C.7), p. 7

explained that the instruction to use a TIN of 000-000-0000 or a random TIN was because the program did not utilize the TIN as a basis for including the employee as a program beneficiary. However, SSS later realized the advice was incorrect and published an advisory on May 5, 2020, three days before the application deadline, stating that using 000-000-000 or random digits as the TIN of employees will result in exclusion from the SBWS Program. In addition, the advisory noted that the method for the return of the wage subsidy would be announced for employers that input 000-000-000 or random digits for the TIN of their employees.

46. As indicated in Table 8, an analysis of disaggregated data on disqualified employees disclosed that 19,963 employees were disqualified due to an invalid TIN.

Table 8: Disqualified Employees as at June 25, 2020

Reason For Disqualification	# of Employees Disqualified
Invalid TIN	**19,963**
Invalid Bank Details	7,795
With Maternity Claim	136
With Final Claim	21
With Unemployment Claim	67
Total Disqualified	**27,982**

Source: COA Analysis

47. **Qualified Employees with Invalid TIN.** In the meantime, there have been instances where applications were approved even though employers entered duplicate or invalid TINs. As part of the control procedures of the online application system, the applicant could not modify the information provided in the system after applying. Following the program's guidelines and the advice published on TIN, duplicate and invalid TINs may also result in the employee's exclusion from the program and eventual refund of wage subsidies.

48. In light of the potential for invalid TINs and other inaccurate information to be accepted by the application system, the SPTF launched a correction module. However, despite the SPTF's implementing a correction module, an analysis of application system data revealed that 132,506 beneficiaries had duplicate and/or invalid TINs. The invalid TINs identified were limited to 000-000-000-000, duplicate alphanumeric characters, and outdated or obsolete. As shown in Table 9, the total wage subsidy granted to beneficiaries with duplicate and/or invalid TINs amounted to ₱1.92 billion.

Table 9: Duplicate TIN/Invalid TIN as at November 15, 2021

Particulars	With Duplicate TIN/Invalid TIN
No. Of Beneficiaries	132,506
Wage Subsidy Granted	₱1,933,449,000
Tranche 1	988,023,500
Tranche 2	945,425,500
Amount Recovered	8,368,381
Wage subsidy granted to Beneficiaries with duplicate/invalid TIN	**₱1,925,080,619**

Source: COA Analysis

49. Thus, the instructions regarding the input of 000-000-000 TINs and random digits led to the exclusion of 19,963 employees from the program and the granting of wage subsidies to 132,506 employees with duplicate and invalid TINs. Had the policy governing the input of TIN been executed in accordance with the program guidelines, the number of 19,963 disqualified employees due to invalid TIN should have been reduced. In addition, with the issuance of an advisory on disqualification from the program due to the use of duplicate and invalid TINs, which the program implementer advised at the outset of program implementation, 132,506 beneficiaries with duplicate and invalid TINs should have been subjected by the BIR for TIN verification and subsequent wage subsidy return procedures by the SSS should they found to be ineligible beneficiaries.

Complicated payout processes delayed the release of ₱109 million wage subsidies

50. The program could not distribute all wage subsidies within the allotted time frame. The delayed release of financial assistance to 10,544 beneficiaries of Tranche 1 and 3,759 beneficiaries of Tranche 2 who were severely impacted by the adverse economic effects of the pandemic defeats the objective of providing immediate relief to beneficiaries.

51. Consistent with the declared policy in Section 3 of RA No. 101469 to urgently respond to the socioeconomic impact of COVID-19 that has greatly affected the Philippines that has caused and continues to cause the loss of lives and significant disruption of the economy, the State recognizes the urgent need to undertake programs for recovery and rehabilitation.[27]

52. Following the enactment of Bayanihan Act 1 on March 20, 2020, then President of the Philippines approved the SBWS Program on April 14, 2020. By issuing DOF, SSS, and BIR Joint Memorandum Circular No. 001-2020, dated April 28, 2020, as the guidelines of the program, the SBWS Program application

[27] *Supra* note 9, par. 1, p.1

period began on April 16 and ended on April 30, 2020. In contrast, the payout period was set from April 29 to May 15, 2020, for Tranche 1 and May 16 to 31, 2020, for Tranche 2. [28]

53. However, the application period has been extended from April 30 to May 8, 2020, due to application issues encountered by employers regarding the details of necessary personal information of the employees, such as TIN (*see discussion in inaccurate information resulted to distribution of ₱1.92 billion in wage subsidies to ineligible beneficiaries, page 15*). In addition, the payout periods have been extended to May 31, 2020 and June 15, 2020, for Tranche 1 and Tranche 2, respectively. The extension was made to give companies extra time to address deficient information on their applications.[29]

54. In evaluating applications, SSS detected invalid account numbers while processing the payouts of the beneficiaries. Therefore, the SSS had to notify the employers of the corrections. In addition, the SSS needed to receive the return files[30] from the DBP to identify the concerned employers and individual employee files. However, despite the requests from the SPTF and intervention of the Bangko Sentral ng Pilipinas (BSP), the payout banks have not complied with the agreed deadlines to submit the return files to the DBP. This resulted in the delay in identifying and notifying the affected employers and in the distribution of wage subsidies. Thus, the payout periods were extended to June 19, 2020, for both tranches and up to June 25, 2020, for payouts resulting from SBWS-CAMP grievances and SBWS Program appeals.[31] As at June 24, 2020, 21,466 CAMP appeals from employee beneficiaries were recorded, and 13 percent or 2,705, were granted or resolved.[32]

55. According to SBWS Program data, Tranche 1 wage subsidy payouts totaled 3,101,685 and amounted to ₱23.34 billion, while Tranche 2 wage subsidy payouts totaled 3,084,583, amounting to ₱22.37 billion. Nonetheless, despite the reported payout being extended until June 25, 2020, a review of the reported accomplishment of the program indicated that 10,544 beneficiaries for Tranche 1 and 3,759 beneficiaries for Tranche 2 received wage subsidy beyond the deadline, totaling ₱109.98 million. (see Table 10)

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[28] *Supra* note 9, § VI (7). (2020, April 28). p. 5
[29] SPTF Resolution No. 1 (2020, May 15).
[30] Return file refers to the report provided by DBP to SSS containing details as that of Payment File with information on successful and unsuccessful transactions with specified reasons.
[31] SPTF Resolution No. 3 (2020, May 28).
[32] SPTF Updates Meeting (2020, June 25.) p. 259.

Table 10: Wage Subsidy Payouts After the Deadline

Particulars	Tranche 1		Tranche 2	
	Number of Beneficiaries	Amount of Wage Subsidies (₱)	Number of Beneficiaries	Amount of Wage Subsidies (₱)
Payouts ON or BEFORE June 25, 2020, Deadline	3,091,141	23,252,147,000	3,080,824	22,345,923,000
Payouts AFTER June 25, 2020, Deadline	10,544	83,199,000	3,759	26,782,000
TOTAL	**3,101,685**	**23,335,346,000**	**3,084,583**	**22,372,705,000**

Source: COA Analysis

56. The SSS Management confirmed that there were instances wherein wage subsidy was released beyond June 25, 2020. However, these transactions were fully supported by SPTF Resolution No. 8, dated August 14, 2020, which recommends to the Secretary of DOF the further payout of the SBWS Program. In a positive response, the DOF issued an opinion on the legality of the SBWS Program payout after June 25, 2020.

57. In the issued legal opinion of the DOF, the vested right of the employees was emphasized, wherein the SBWS Program was granted because of the loss of income of employees due to strict quarantine measures imposed from March to May (2020). That, despite the lapse of RA No. 11469 or The Bayanihan to Heal as One Act, the reason for the grant of the SBWS Program and its effect on the employees has occurred.

58. SPTF Resolution No. 8 was issued to address the concerns of eligible employees who have complied with and satisfied all the program's guidelines and qualifications but failed to receive their wage subsidy due to causes beyond the employer's control of the payee-employee. In particular, the extended payout beyond June 25, 2020, was only applicable to the eligible employees enumerated in Table 11:

Table 11: Eligible Employees Allowed to Received Payout Beyond June 25, 2020

Category	Details
1. Employees who did not receive their SBWS	Tranche 1 was not credited due to using old or cash/prepaid card account numbers. With the overlap in the schedule of Tranche

Category	Details
Program Tranche 1 but received their Tranche 2	2 payouts and the late submission by banks of return files for Tranche 1, the discovery of non-payment was made after reconciling all the return files beyond the payout periods.
2. Employees who received their SBWS Program Tranche 1 but did not receive their Tranche 2	a. Employees with incorrect account details, which banks accommodated for Tranche 1 payout but no longer accommodated in Tranche 2, were not informed to correct their account details. b. Employees with incorrect account details who were able to amend their credentials but whose Tranche 2 was not released.
3. Employees who did not receive both SBWS Program Tranche 1 and Tranche 2	a. Employees whose disbursement status, as reported to SSS by the banks, were changed from "Credited" to "Not Credited." b. Employees with incorrect account details who were not notified could not correct the same.
4. Employees who received a subsidy from the DOLE's CAMP but did not receive SBWS Program Tranche 2 representing the net of any amount received under the DOLE's CAMP	a. Employees whose DOLE CAMP appeals were not processed until the determination of payout for Tranche 1 have been settled based on the submission by the banks of the return files. b. Employees whose DOLE CAMP appeals were not processed before the payout deadline.

Source: SSS, SPTF Resolution No. 8, dated August 14, 2020

59. It is noteworthy to mention that the cited reasons for the delay of the payout beyond the control of the beneficiaries and the SPTF considered the impact of the program on the beneficiaries even beyond the payout deadline. However, we maintain that these identified beneficiaries were among the formal sector employees severely impacted by the significant economic disruption caused by the COVID-19 pandemic. Delaying wage subsidy distribution beyond June 25, 2020, defies the purpose of the SBWS Program, which is to provide

beneficiaries with immediate relief. This is corroborated by the explanation of the DOF that the program was not extended or reopened as it was conceptualized to provide immediate relief to small business employers and their employees. (*see a detailed discussion on ₱5.7 billion funds under the program that were returned to BTr, page 37*)

Immediate program implementation resulted in inaccurate and unsuccessful wage subsidy distribution and a lack of corrective processes

60. ***Due to a lack of time to prepare the program and an immediate requirement of implementation, program planning, application processes, and remedial procedures were challenging during the implementation of the SBWS Program. As a result, (a) the program implementers incorrectly tagged beneficiaries; (b) no effective control was established to prevent the acceptance of incorrect and invalid information to the online application system; (c) acceptance of invalid and/or incorrect information about beneficiaries that caused the unsuccessful payout of ₱557 million wage subsidies from money remittance centers; (d) voluntarily returned by an employer was not fully reflected in the report provided; and (e) SPTF issued resolution transferring its fiscal accountability to COA by relying on the former's post-audit procedures in identifying ineligible beneficiaries.***

Challenges in cross-matching of SBWS Program applicants and CAMP beneficiaries caused incorrect tagging

61. The DOF cross-matched CAMP and SBWS Program beneficiaries to prevent double-dipping or unauthorized receipt of multiple subsidies. However, beneficiaries were mistakenly tagged due to a lack of a unique identifier for the beneficiaries' information, the different format of the names used across the two programs, and the timing of the financial assistance. As a result, overpayments of ₱51.88 million were made to 10,375 CAMP and SBWS Program participants, while ₱4.43 million were wrongly deducted from the 886 SBWS Program beneficiaries.

62. The CAMP is a cash-assistance program administered by the DOLE that provides financial support to affected employees in private businesses that have adopted flexible working arrangements or temporary shutdowns during the COVID-19 pandemic.[33] While the SBWS Program is the successor to CAMP, the latter's beneficiaries can also benefit from the SBWS program so long as the ₱5,000 received from CAMP is deducted from their second tranche.

63. Upon review of the SBWS Program guidelines, it was determined that the DOF is responsible for matching CAMP beneficiaries with qualified SBWS

[33] DOLE Department Order No. 209, Series of 2020

Program beneficiaries. Therefore, under the Data Sharing Agreement (DSA) signed by the DOF, DOLE, and SSS on May 4, 2020, the DOLE shall share its list of beneficiaries with the SSS and DOF via an in-house developed SSS Web Service with a dedicated URL and secure file transfer protocol (SFTP). The DOF will utilize the data to cross-match beneficiaries of the CAMP and SBWS Program. The DOF provided the cross-matched data to SSS over SSS's SFTP as a reference for processing the applications.

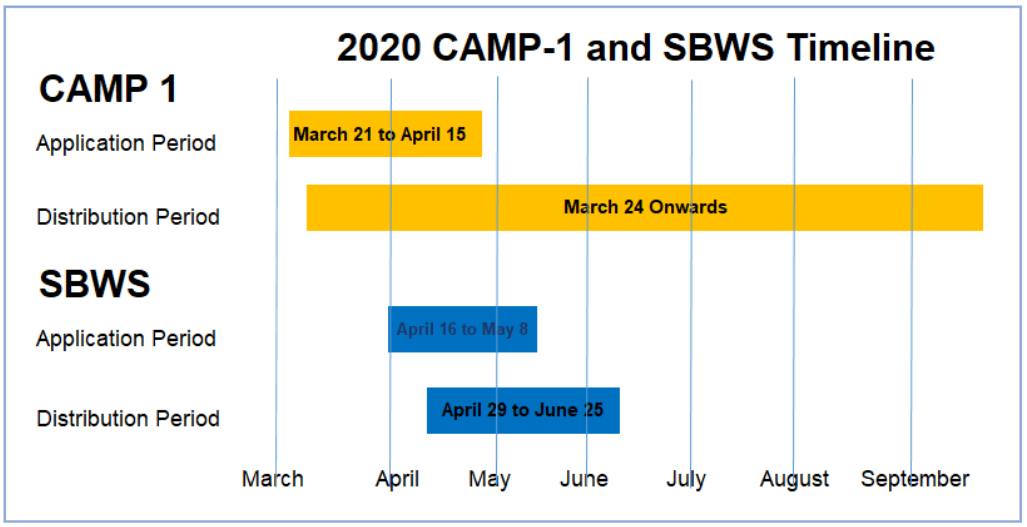
64. The DOF performs the pre-processing of CAMP beneficiaries and the cross-matching with SBWS Program beneficiaries through the data scientist. The data scientist employed numerous data analytics tools for a proper data cleaning technique for deduplication and name matching, considering the different information formats required by the two systems. The DOF noted that cross-matching proved challenging because the data sets from the respective systems lacked a unique identity and had different naming conventions. For example, the SBWS Program database uses the format First Name, Middle Name, Last Name, whereas the DOLE-CAMP database uses the format Last Name, First Name, Middle Name. In addition, DOLE-database CAMP is susceptible to human error, such as the employer's improper entry of applicant names (with Jr., same name, incorrect spelling, etc.).

65. Due to the highlighted difficulties in cross-matching beneficiaries between the two programs, 886 SBWS Program beneficiaries were incorrectly tagged as CAMP beneficiaries. As a result, their second tranche wage subsidies were improperly reduced by ₱5,000, totaling ₱4.43 million.

66. The cross-matching result of the CAMP data and the SBWS Program indicates that 29 percent or 196,000 out of the 680,000 CAMP beneficiaries also benefited from the SBWS Program.[34]

[34] SBWS Program report no. 71 p. 2

Figure 3: CAMP 1 vis-à-vis SBWS Program Timeframe



Source: Program Guidelines of DOLE-CAMP and SBWS Program

67. The timing of the release of financial assistance to CAMP 1 beneficiaries posed an additional difficulty in the cross-matching process. As shown in Figure 3, the payout period for CAMP 1 was from March 24 to September 2020, but the payout period for SBWS Program was from April 29 to June 25, 2020. Due to the longer payout term of CAMP 1 compared to SBWS Program, employer applicants for SBWS Program were not permitted to list their employees applying under CAMP 1 beneficiaries until they received financial support from CAMP 1. Neither employers nor employees knew when they would receive financial support from CAMP 1. Applicants to the SBWS Program indicated in good faith that they were not CAMP beneficiaries during the application process. This resulted in obtaining the entire subsidy amount under both programs. Even with the CAMP cross-matching procedures performed by the DOF to determine whether qualified SBWS Program beneficiaries were also CAMP beneficiaries before the distribution of SBWS Program subsidies, there was no assurance that multiple requests for financial assistance would be identified.

68. The cross-matching concern of the SBWS Program and CAMP beneficiaries compelled the SPTF to develop a grievance mechanism. As a result, SPTF Resolution No. 4 was passed, allowing beneficiaries who were improperly tagged and entitled to the SBWS Program to file an appeal.[35] The SPTF will decide the request based on the appellant's information. The SPTF will communicate its final decision to the appellant. If the appeal is upheld, the SPTF shall recommend the decision to the SSS administration for immediate processing of the difference between the SBWS Program and CAMP amounts received by the appellant.

[35] SPTF Resolution No. 4, p. 3

69. A partial analysis and comparison of the two databases (CAMP and SBWS Program) found that the DOF's cross-matching process missed approximately 10,375 employees who were both CAMP and SBWS Program beneficiaries. Hence, they received the full wage subsidy. In contrast, we noted that around 886 employees were incorrectly identified as CAMP beneficiaries, and the amount of ₱5,000 was deducted from their second tranche of wage subsidies. This resulted in an overpayment of ₱51.88 million to CAMP and SBWS Program beneficiaries and an underpayment of ₱4.43 million to SBWS Program beneficiaries who were incorrectly tagged.

70. Throughout the application process walkthrough, we noted that the Program's Online Application System permits invalid/incorrect TINs for employees (*see a detailed discussion on inaccurate information caused the release of ₱1.92 billion wage subsidies to ineligible employees, page 15*). Due to the lack of a shared database between key stakeholders, the three program application systems used for the SBWS Program were unable to validate the TIN provided by the employer. However, a separate analysis identified invalid and duplicate contact information for 936,976 employee beneficiaries without contact information and 54,454 employers with invalid contact information.

71. The program implementation constraints prohibited the implementer from establishing sound design internal control at the onset of program implementation. To expedite implementation and address the immediate demand for relief in the formal economy sector, an online application system was established for employer applicants to give information, resulting in invalid and incomplete data entry in the system. To minimize the data entry problem, SSS Management offered and relied on a commitment signed by employers upon program application submission that the information provided is true and correct.

72. DOF commented that in addition to the factors identified that pertain to cross-matching, the following also contributed such as: (a) the DOLE CAMP Application was manually done, (b) the SBWS Program Team received the DOLE database in a per region file, (c) the middle name of the recipients are included in the first name column. Other files did have middle names in a separate column, but only middle initials, (d) birthdays were not included, and (e) only employers, barangay, city, and municipality were given. DOF further explained that as the DOLE CAMP data is "incomplete" and/or incorrectly formatted," conducting a perfect cross-matching was difficult.

Online application system did not have effective control to prevent input of partial and invalid data entry

73. In terms of data entry, an examination of the application system's internal control revealed no effective control to prevent invalid and incomplete data from being entered into the program's online application system.

74. The Control Objectives for Information and Associated Technologies (COBIT) 5 framework created by the Information Systems Audit and Control Association provides information technology best practices that conform to international standards. Under the COBIT 5 Enabling Processes, control activities under the Deliver, Service, and Support domain state that input transactions should promptly validate that they are accurate, complete, and valid; validate input data; and edit or, if necessary, send back for correction as close as possible to the point of origination.

75. The SPTF ensured that the SBWS Program be fully digitized to distribute the wage subsidy within the allotted timeframe to promptly mitigate the adverse economic effects of the COVID-19 pandemic on the formal economy sector. Hence, an IT system was established to support the program's implementation. With this developed IT system, SSS created three online application methods.

76. The login mechanism and procedure for encoding the applicant's information vary in between the three different application methods. These three methods depend on the information the employer applicant provides and the information already stored in the SSS database.

77. A review of the application system's disaggregated data indicated invalid or insufficient data. SSS Management explained that the information could not be altered or changed once an employer submits an application.[36] In this instance, the information that employers encoded in the application system are considered final and cannot be modified without SSS permission. This was also confirmed in the email issued in response to SBWS Program inquiries, which said that if an employer encoded wrong employee information such as account number, mobile number, TIN, etc., the information would be considered final. This resulted in the database application containing inaccurate or incomplete data.

78. Since the DOF, SSS, and BIR do not have a common database, there was this concern regarding data submission. Therefore, there is a high possibility that the information details for employers and employees from the BIR pre-qualification will not match the information in the SSS database, even though the beneficiaries belong to the same formal economy sector.

79. SSS Management commented that no procedures or systems were created to validate employee beneficiaries' TIN, bank account, and mobile number.

[36] SBWS-Step by Step Guide (Method 1), p. 12

The acceptance of blank, duplicate, or invalid contact numbers by online application systems, as well as inaccurate bank accounts, are among the issues contributing to failure payouts in remittance centers.

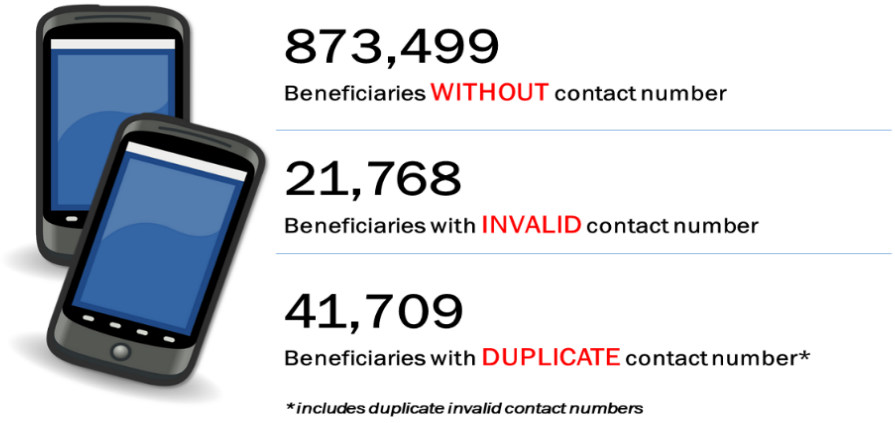
80. The distribution of wage subsidies through money remittance centers depends on employees' contact information. As such, a review and analysis of disaggregated data from the online application database as at April 30, 2022, show that there are 936,976 employee beneficiaries without contact information, invalid or duplicate contact details, 17,205 incorrect bank accounts, and 54,454 employers with invalid contact information. The deficiency resulted in unclaimed payouts of 59,167 beneficiaries in money remittance centers and 17,205 beneficiaries in banks, which amounted to ₱557 million in wage subsidies.

81. According to the program guidelines, the SSS is responsible for informing the employers and employees of small businesses about the status of their payouts.[37] After the DBP has processed the payment files corresponding to the payment methods, it must notify the SSS that they have been uploaded. The SSS will then prepare the text blasts table of employees with mobile numbers to send notifications regarding the status of the SBWS Program payout and send it to the Text Blast Service Provider. Text messages (SMS) were used to notify qualified employee beneficiaries of the DBP's release of their wage subsidy. The SMS notice contains information regarding the status of the wage subsidy, including whether it has been credited to the beneficiary's bank or e-wallet account or is available for pick-up at an authorized remittance center. The message also provides the Transaction Reference Number and instructions on how to claim the wage subsidy for beneficiaries who decide to pick up the subsidy at an accredited remittance center.[38]

82. A review of the disaggregated SBWS Program data revealed the following: (a) beneficiaries without contact information/number; (b) beneficiaries with reported mobile phone numbers containing invalid letters and special characters. There were also invalid phone numbers lacking 11 digits and containing prefixes of nonexistent networks included[39]; and (c) beneficiaries shared identical contact information with other beneficiaries (see Figure 4).

[37] *Supra* note 9, § IX (C.5.) p. 8
[38] SSS Office Order 2020-049. p. 3.
[39] Mobile Network Prefix is the first four digits of an 11-digit mobile number, e.g., 0912, 0913, etc.

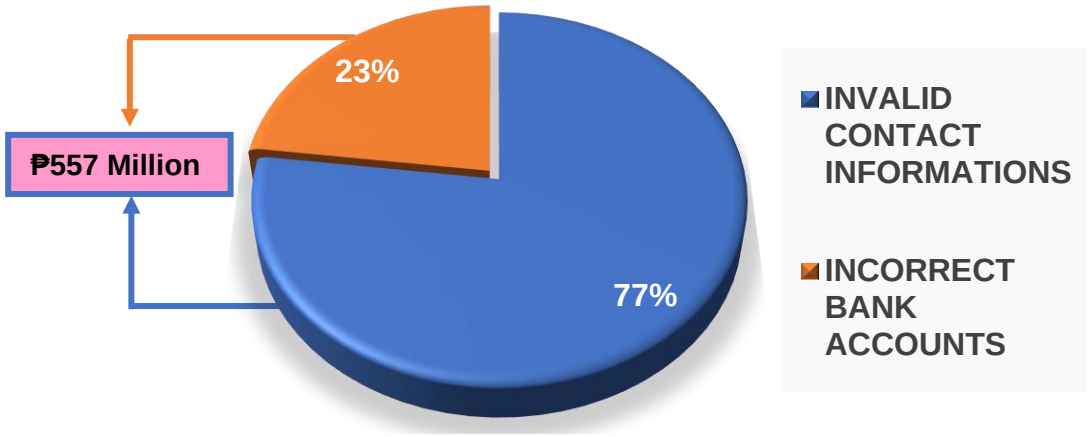
Figure 4: Beneficiaries with contact number issues as at June 20, 2022



Source: COA Analysis

83. Analysis of the disaggregated data from SSS for the unclaimed wage subsidies revealed that 59,167 counts of unclaimed wage subsidies due to contact informations issues resulted in an unclaimed amount of ₱430 million. Meanwhile, 17,205 counts of wage subsidies with incorrect bank accounts resulted in ₱127 million unclaimed wage subsidies, as shown in Figure 5.

Figure 5: Unclaimed Wage Subsidies Due to Invalid Contact Information and Incorrect Bank Accounts



Source: COA Analysis

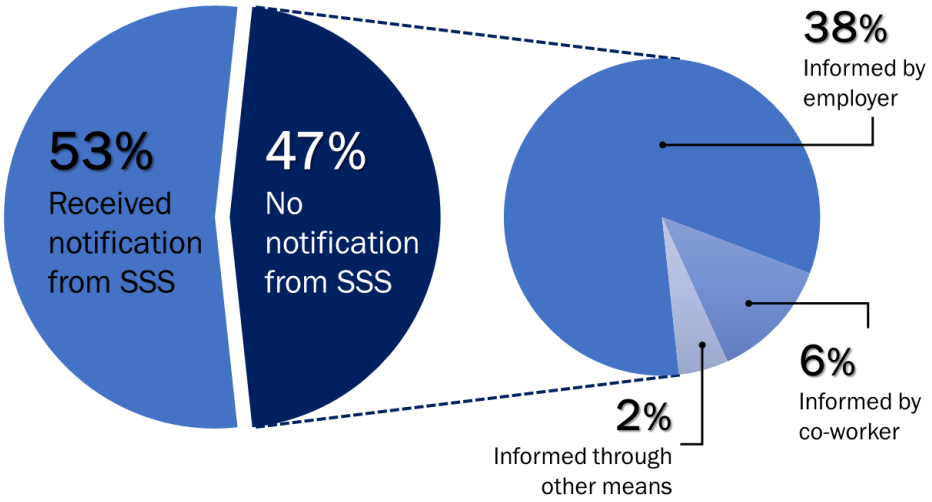
84. Given the frequency of missing, invalid, and duplicate phone numbers, text message notifications to employee beneficiaries would be challenging.

Nevertheless, notification of a beneficiary's application status is essential, particularly for those elected to receive the wage subsidy through money remittance centers.

85. According to interviews with 11 out of 27 HR representatives of participating small businesses, there were cases where neither emails nor text messages were delivered to employers to inform them whether wage subsidies were successfully credited, remitted, or claimed by employee beneficiaries.

86. The beneficiary survey revealed that 47 percent, or 157 out of 335 respondents, did not get any information from the SSS regarding the status of their wage subsidy. The respondents noted that some employee applicants (see Figure 6) depended on their employer, co-employees, and frequent bank account checks to determine the status of their application.

Figure 6: Manner of notification on Application Status to Beneficiaries



Source: COA Analysis

87. Conversely, 54,454 employers did not have valid phone numbers, and 52 did not provide email addresses. As a result, these establishments can not determine the status of the wage subsidy for their employees without contact information, and many employers, particularly the HR representatives, became dependent on the reports of their employees or co-employees from other companies to monitor the wage subsidies.

88. Upon evaluation by the SSS, the applications were classified into three categories: qualified for the successful application, lacking credentials for applications requiring additional information, and disqualified, as detailed in Table 12 below.

Table 12: Beneficiary Classification/Status of Payout

Qualified	Lacking Credentials	Disqualified
Credit subsidy to bank account, Paymaya, or M. Lhuillier	No Bank Details/invalid PESONET account	Part of the Skeletal workforce or work from home, with a salary of more than 15 days
	Records with Shared Bank Account details/Mobile number	On any leave during the pandemic (maternity, sick leave, vacation, etc.)
	Invalid Format of mobile numbers for Paymaya/ML payment	Resigned during the period when ECQ was being implemented
	000 TIN or invalid/incomplete TIN	With Maternity Benefits, Unemployment Benefits Claims, or SSS Final Claims

Source: COA Analysis

89. Without the contact information, employers and employee beneficiaries could not be apprised of the status of their applications. Without SSS notice, concerned beneficiaries could not effect corrections or complete their applications which were classified as “Lacking Credentials”.

90. No concerns are associated to qualified employees who choose a bank account as their payout option. In contrast, it is unclear whether employees with qualified status who choose M Lhuillier as payout options can claim their salary subsidy without notification of their reference number. Thus, as at April 30, 2020, SSS reported ₱557 million in rejected/unsuccessful salary subsidies from banks and M Lhuillier.

91. SSS explained that invalid or incomplete data were transactions from Excel files submitted through the SharePoint and Azure online application methods. These are not real-time online filing; thus, data validation was done after receipt of Excel files. To correct the erroneous data, employers were notified and allowed to change their contact information using the post-payout correction module. Upon receipt of the notice, the employer shall enroll a valid bank account or mobile number of their employee recipient. If the beneficiary selected MLhullier as the payout option, information for the mobile number is needed. However, SSS had no database where to determine the validity of the mobile number enrolled.

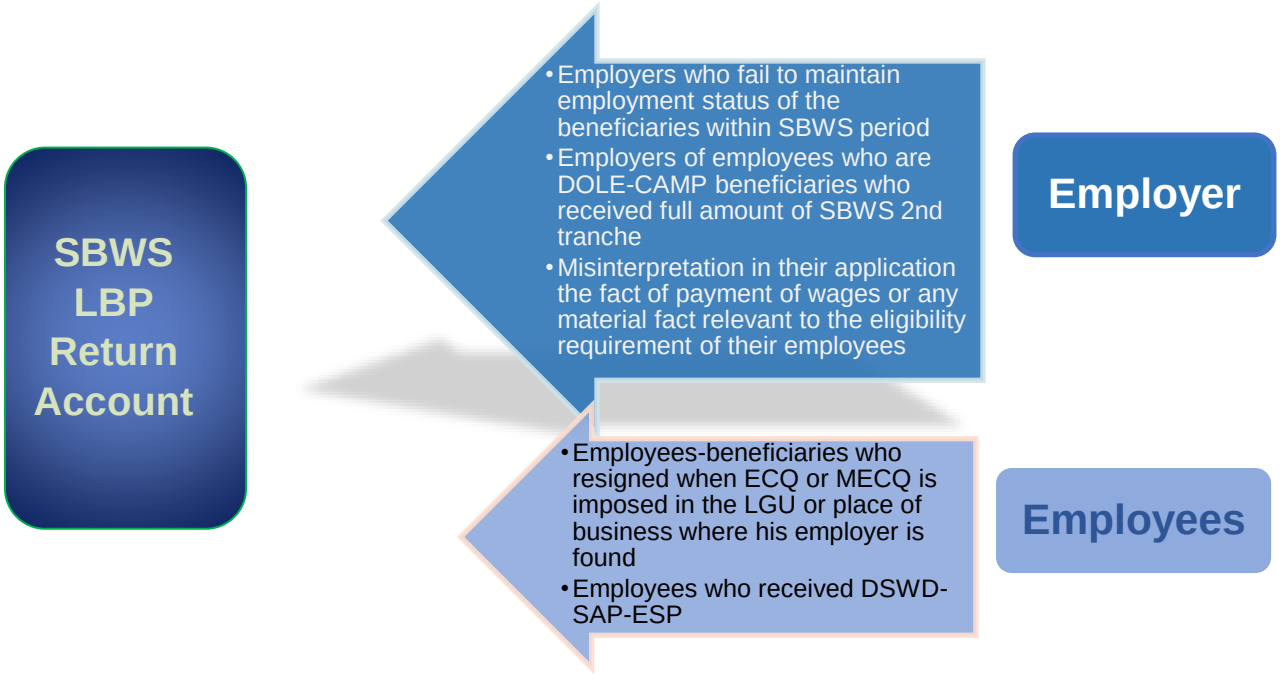
92. Apparently, even if the concerned employers were notified of the erroneous data and utilized the post-payout correction module to enroll a new mobile number in the case of a money remittance center payout, SSS could not verify the validity of the new mobile number provided by the employer.

Return of wage subsidies were not properly accounted for and reported

93. Part of the program implementer's initiative to recover wage subsidy granted to ineligible beneficiaries was through voluntary return. However, a review of the voluntary returns revealed that there were unidentified deposits, which amounted to ₱49.20 million.

94. Under the SPTF Resolution # 2, 5, and 9 on Voluntary Return of wage subsidy procedures, employers and employees must return the subsidy granted if they violate any of the eligibility requirements found in the program guidelines. Therefore, the return of wage subsidy will either be the responsibility of employers or employees, depending on the violation, as shown in Figure 7.

Figure 7: Who is required to return the subsidy



Source: SPTF Resolution #2

95. As specified in the Employer's Undertaking, the employer has certified that all provided information is accurate and complete. Misinterpreting the application will result in the employee's disqualification, requiring the employer to refund the subsidy. Employers or employees must voluntarily deposit the amount subject to refund into BTr's Land Bank of the Philippines (LBP) account, which was established expressly for the SBWS Program wage subsidy return. The employer or employee who submitted the return amount must email SSS the deposit slip with a list of employees' information and the reason for the return. After receipt, SSS will reconcile and encode the amount to the SBWS Program return module.

96. A review of wage subsidy return documents revealed that, as of July 5, 2021, the entire amount of voluntary return deposited to the BTr through the designated LBP account was ₱504.20 million, including an unidentified deposit of ₱49.20 million. The unidentifiable amount refunded resulted from deposits to the account that lacked adequate disclosure of transactional information (see Table 13).

Table 13: Breakdown of Voluntary Returns to BTr

Reason for Return	Number of Employees	Amount
Misinterpretation	27,453	392,959,205
Resignation	383	5,806,757
CAMP Beneficiary	9,926	51,475,606
SAP Beneficiary	433	3,886,500
4Ps Beneficiary	70	884,400
Unidentified Deposit	-	49,200,000
Total amount deposited to BTr	**38,265**	**504,200,000**

Source: SSS

97. Thirty-eight thousand two hundred sixty-five (38,265) identified employee beneficiaries deposited 90 percent or ₱455 million of the entire amount returned; 86 percent or ₱393 million out of ₱455 million was due to misrepresentation. Due to the closing of DSWD, DOLE-CAMP, and LGUs' subsidies, management confirmed that there were voluntary returns for SAP, 4Ps, and other subsidies issued by DSWD and LGUs that were deposited to the account of SBWS Program. So, the reason for the ₱49.20 million deposit could not be ascertained, nor could its nature be related to the SBWS Program funds.

98. In addition, in one of the field validations, a comparison of the deposit made by a company against the number of employees reported in the database, disclosed that the deposit was not matched. We noticed that the return for deposit slip of ₱1,104,000[40] was recorded in the database as ₱1,040,000 with a difference of ₱64,000, equivalent to four employees.[41]

99. Proper monitoring and reporting of the program's implementation are essential to agencies' accountability and transparency on whether the appropriated funds were spent correctly for their intended purpose. In accounting

[40] 2nd SBWS Program walkthrough meeting
[41] Establishment located in the NCR, wage subsidy amounted to ₱16,000 per employee for tranche 1 and tranche 2

for money and property received by public officials, P.D. No. 1445 stated that except as may otherwise be expressly provided by law or competent authority, all money and property officially received by a public officer in any capacity or upon any occasion must be accounted for as government funds and government property. Government property shall be taken up in the agency's books at acquisition cost or an appraised value.[42] However, with the noted observations on the unaccounted ₱64,000 deposit from the voluntary return, it is doubtful that ₱455 million accounted for voluntary return was correctly recorded. And also, at a certain point when post-implementation verification of beneficiaries will be rolled-out, unaccounted voluntary returns will significantly impact its efficiency.

100. SSS confirmed the process of voluntary return and enumerated the identified constraints during the reconciliation of deposits that caused the unidentified ₱49.2 million. Accordingly, some employers or employees did not submit deposit slips and details of the payments. Based on the bank statement, there is no means by which SSS will know who is the employer or employee responsible for the transaction. During the reconciliation process, there were instances where no SSS numbers were indicated or the documentation was incomplete. No reply to the request was made until the program's closing, the amount deposited did not reconcile with the listing submitted, and no explanation/reply was received from the employer or employee.

Procedures for involuntary return of wage subsidy were not performed

101. Examination of accomplishment reports, program guidelines, and issued policies disclosed that the program implementers had not initiated procedures for involuntary return of wage subsidies.

102. The head of any agency is immediately and primarily responsible for the funds and property that pertain to their agency.[43] Therefore, the primary objective of the program's post-implementation mechanisms is to systematically track implementation and outputs and evaluate the program's effectiveness.

103. Further, it is worth highlighting that an SPTF Resolution was issued authorizing the SSS to institute appropriate civil actions upon receipt of the endorsement prepared by the SPTF containing its findings and recommendation that there is a prima facie case or sufficient ground to proceed with the filing of an action against a concerned employer or employee.[44]

104. The resolution for the involuntary return mechanism enumerates instances when wage subsidies shall be refunded to the government following the program guidelines. As such, the employer must return upon failure to maintain the employment status of all employee beneficiaries before the ECQ and other forms thereof and when the employer misrepresented their application. In contrast, the employee, on the other hand, shall return the wage subsidy when

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[42] Presidential Decree No. 1445, § 63, p.19
[43] *Ibid*, §102.1, p.27
[44] SPTF Resolution No. 11, p3

they resign during the ECQ period and other forms imposed in Luzon and other parts of the country.[45]

105. However, a review of SBWS Program guidelines and SPTF resolutions to determine the extent to which the agency monitors the program revealed that program implementers did not appropriately implement post-implementation mechanisms planned to identify ineligible beneficiaries. Further, analysis of wage subsidy returns showed that wage subsidy refunds were entirely voluntary. (*see detailed discussion in return of wage subsidies were not properly accounted for and reported, page 31).* This demonstrates that SSS has not yet instituted appropriate action, at least to the noted invalid TIN with a total of 132,506 counts which resulted in ₱1.92 billion wage subsidy *(see detailed discussion in Inaccurate information caused the release of ₱1.92 billion wage subsidies to ineligible employees, page 15).* TINs identified were limited to 000-000-000-000, duplicate, alphanumeric characters, and outdated or obsolete.

106. Moreover, a review of the budget allocated for the program's implementation showed that no funding was allocated for the program's post-implementation activities. About 99.6 percent, or ₱50.8 billion, of the entire program budget of ₱51 billion was allocated only for the fiscal cost of the wage subsidy. While the remaining ₱200 million was provided for administrative costs associated with implementing the program.

107. In addition, the review of the latest SPTF resolution for the involuntary return of wage subsidy disclosed that program implementers explicitly transferred their fiscal responsibility by relying on the COA's post-audit procedures to identify ineligible beneficiaries without consulting the COA upon the discovery that the employer or employee is deemed liable to return to the government the amount of wage subsidy granted, or upon the discovery of fraud by the DOF, SSS, or BIR. The SPTF will issue a demand letter for the return of the said subsidy within 15 calendar days from receipt thereof with a warning that failure to return will result in the filing of the appropriate criminal and/or civil action.[46] Hence, the post-implementation mechanism for the program or the fiscal obligation of the program implementers has been shifted, with the COA's determination of disqualified beneficiaries serving as the basis for the decision to return subsidies for the program.

108. SPTF established new measures to verify the beneficiaries' eligibility during the program's implementation. The employer confirms through an "Employer's Undertaking" that each employee who has applied for the program has met all eligibility requirements. Employers who mislead information pertinent to the eligibility of their employees shall be held accountable and refunded the amount of wage subsidies received.[47]

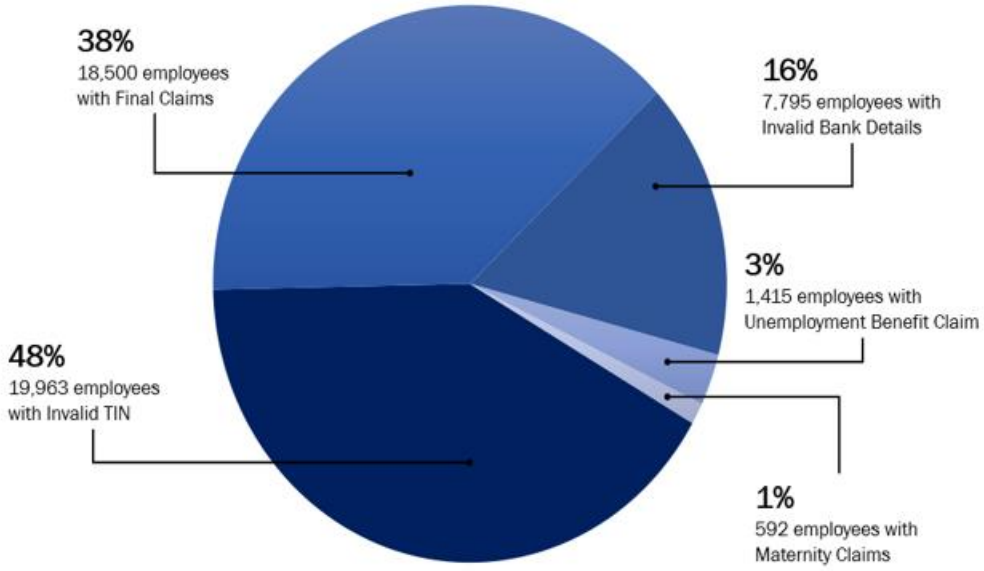
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[45] Supra Note 44, p.2
[46] SPTF Resolution # 12, § V. Procedures for involuntary return, p. 5
[47] *Supra* note 9, Item VI. General Guidelines, no. 4, p. 4.

109. We observed that the management's decision to depend on employer undertakings without confirming other papers sped up the application process but increased the potential of improper applicant payments.

110. On the other hand, we highlighted that the SSS's automated application system verifies whether or not employees are actively paying SSS members, have no pending or settled SSS unemployment benefits, and have no pending or in-process SSS final claims. In addition, the SSS's automated system verifies the correctness of all qualified employees' credentials, such as bank accounts and mobile phone numbers.[48] This led SSS to reject the applications of 48,295 employees with invalid TINs, bank details, and unemployment claims with SSS during the application phase (see Figure 8).

Figure 8: Rejected or Unsuccessful Credits of Wage Subsidies to Beneficiaries' Accounts



Source: COA Analysis

111. A post-implementation mechanism is crucial to confirm that the desired program result was achieved and could help identify ineligible employees who should have returned the wage subsidy. This may have been determined during program planning by examining the program's susceptibility to inappropriate payments. However, due to the short time available for program design, the DOF admitted in response to our inquiry that they could not undertake a complete risk assessment.

[48] SSS Office Order No. 2020-026b, Annex B.1 *Validation of Pre-Qualified Employers and Employees*. p. 11

112. BIR Management commented that through the issuance of SPTF Resolution No. 11, dated September 2, 2021, it was resolved that SSS is the authorized agency to initiate the involuntary return of wage subsidy. It was specified in the said resolution that SSS had already represented the Republic of the Philippines concerning the beneficiaries of the SBWS Program, coupled with the fact that SSS is privy to the information on the compliance by the beneficiary employers and employees with the continuing qualifications outlined in JMC No. 02-2020. Hence, the SSS is the proper and practical party to institute a civil action to recover the subsidy.

113. Furthermore, the Legal Opinion issued by the Office of the Solicitor General (OSG) dated November 11, 2020, states that, since the functions of the SSS include the acceptance and processing of applications, determination of eligibility for the wage subsidy, coordination with and disbursement of funds to qualified employers and employees, the SSS represents the Republic as far as the beneficiary employers and employees of the SBWS Program are concerned. The OSG added that the SSS, as the representative of the Republic, is the proper party to institute the appropriate action against the employer or employee in case of failure to return the wage subsidy.

114. Lastly, the BIR, in its response/comment dated May 23, 2023, stated that upon receipt of data submitted by the SSS on June 17, 2021, it has already fully validated the TIN of both the employers and employees and will transmit the results of the verification to the SPTF and SSS for appropriate action. As a result of the post-implementation verification made to the TIN of the employees granted the wage subsidy, the BIR has counted 384,726 TINs not found in the BIR database.

115. It could be noted that this is an indication that wage subsidies were granted to employees whose TINs were incorrectly encoded in the applications and their correct information need to be validated to determine their eligibility to the program. Further validation of the beneficiaries' TIN with the BIR could not be undertaken by the audit team due to the restrictions specified in the National Internal Revenue Code on the confidentiality of taxpayers' information.[49]

[49] National Internal Revenue Code, *Unlawful Divulgence of Trade Secrets*, § 270

After implementation, program implementers reported ₱6.7 billion of unsuccessful payout and returned ₱5.7 billion to BTr

116. ***Implementing the SBWS Program as an early response to the pandemic's adverse economic impact on the formal economy sector necessitates meticulous planning. Because of the speed with which it was implemented, there was insufficient data entry and acceptance of erroneous and/or incorrect beneficiary information, which resulted in the inability to distribute ₱6.7 billion in wage subsidies and the subsequent return of ₱5.7 billion to the BTr.***

117. The economic consequence of the pandemic in the formal economy sector was unimaginable. Therefore, it was notable that the government formulated a program to specifically intervene in the adverse economic impact on the affected worker in the formal economy sector. With the aid of technology, in just two and a half months, program implementers had served 91 percent of the targeted beneficiaries. In addition to facilitating applicants' access to the program, it safeguards them from the possibility of COVID-19 infection. However, the program's implementation in a limited timeframe caused the underutilization of the funds released for the program.

₱5.7 billion funds for the program were returned to BTr

118. As at February 15, 2022, SSS had returned to the BTr unutilized SBWS Program funds totaling ₱5.7 billion, including interest earnings totaling ₱2.8 million (Figure 9). Accordingly, as the Bayanihan Act 1 requires, the government allocated ₱51 billion to the SBWS Program to provide wage subsidies to the 3.4 million affected employees in the formal sector until June 25, 2020.

Figure 9: Program Budget Utilization



Source: SBWS Program Liquidation Report (2022, April 30)

119. Instead of distributing the unused fund for the SBWS Program, the SPTF returned the fund to BTr. The DOF explained that the program was not extended nor reopened, and the ₱5.7 billion in unused funds were returned to the BTr because the program was intended to provide immediate relief to affected small business employers and their employees when ECQ and modified ECQ (MECQ) were imposed from March 17 to May 31, 2020.

120. Examination of the program's utilization report disclosed rejected or unsuccessful payouts of ₱6.7 billion, as shown in Table 14.

Table 14: Amount Rejected/Unsuccessful as at April 30, 2022

Payout Option	Amount
PESOnet	₱6,159,019,500
M Lhuillier	440,023,500
PayMaya	92,191,000
TOTAL	**₱6,691,234,000**

Source: SSS

121. The ₱5.7 billion returned fund may have been used to give subsidies to additional employee beneficiaries if other issues impacting the program's operation, such as time and physical resources, were considered in the implementation. In a conservative estimate, assuming that the unutilized fund will be distributed to non-CAMP beneficiaries who reside in regions with the highest wage subsidy of ₱8,000 per tranche, the fund could have covered an

additional 354,757 employees from affected small businesses, which would have been sufficient to cover the program's overall target beneficiaries. *(see Table 15)*

Table 15: Estimated Number of employees that can benefit from the returned amount

SBWS Program Fund returned to BTr	₱5,676,124,170.22
Divide: Maximum Grant for two tranches	16,000
Additional employees that could benefit from SBWS Program	**354,757**

Source: COA Analysis

122. As part of the BIR's responsibilities, the program guidelines offered a system to ensure that all affected employers are considered during pre-qualification. In response to a separate inquiry to the BIR regarding employers who requested to be placed on the list of pre-qualified employers, it was revealed that the BIR received 23,561 requests from these employers. Still, only 805 were approved due to budgetary constraints. The BIR indicated that the SPTF did not want to overcommit to these employees; hence, it was reasonable to decline their applications.

123. SSS explained that the rejected/unsuccessful payouts were not reprocessed due to the unavailability of data from DBP before the due date of liquidation.

₱6.7 Billion wage subsidy payouts not successfully received by intended beneficiaries

124. One of the factors contributing to the underutilization of the wage subsidies fund was the rejection or failure of ₱6.7 billion in payouts. Instead of utilizing the fund through the SBWS Program, the SPTF returned ₱5.7 billion to the BTr, which could have provided wage subsidies to an extra 354,757 affected employees.

125. During pre-payout, SSS will email qualified employees with invalid or duplicate bank accounts and mobile phone numbers. The employer must access the application system on the program website to amend the details of affected employees and resubmit the application along with the Employer's Undertaking upon receiving notification from the SSS. The SSS shall then reprocess the application as it would with new applicants.[50]

126. During the distribution of wage subsidies, there have been instances of unsuccessful crediting due to invalid bank accounts and mobile phone numbers that were not identified during application processing. Thus, the affected employees will not receive the wage subsidy. In this instance, the SSS will notify the employer through email of the noted issue. The employer must then use the

[50] Supra note 44, Annex A.3 Detailed Procedures on the Handling of Exception Cases for SBWS Program. p. 3

My.SSS website to access the **Post-Payment Data Correction Module**. With the updated undertaking, the employer must supply the concerned worker's corrected bank information or mobile phone number. Finally, SSS will conduct the corrections, produce the summary disbursement report on the post-payment correction module, and send the report to the SPTF.[51]

127. In cases of non-receipt of the Reference Number, the SSS shall review the complaints and conduct identity verification upon receipt of the appeal from the involved employers. The affected employer will receive an email to correct or update the worker's details if validated. After correcting the information, SSS will resend the required reference number to claim the wage subsidy.[52]

128. Regarding the missed opportunity, we analyzed the factors influencing the unsuccessful payouts worth ₱6.7 billion (*see the detailed discussion ₱5.7 billion funds for the program were returned to BTr, page 37*). Unfortunately, the SPTF Board returned the remaining funds rather than extend the program's implementation. However, if they had been accommodated into the program by extending the payout period instead of returning the program fund to the BTr, more beneficiaries would have benefited from the program.

129. We reviewed approximately four percent of the SBWS Program database for unsuccessful distributions. As a result, we observed that, despite the corrective procedures established, there were 78,221 beneficiaries with unsuccessful wage subsidy payout totaling ₱571 million due to the various reasons detailed in Table 16.

Table 16: Unsuccessful Payout based on SBWS Program Database

Reason for Unsuccessful Credit	No. of Beneficiaries	The total amount not credited
Incorrect Bank Account	17,205	₱ 127,835,000
Unclaimed ML Payout	59,167	429,417,000
Closed Account	1,213	9,478,500
With Restrictions	50	372,000
Canceled Transaction by SSS	127	952,500
Credited To Not Credited	440	3,041,500
Account Differs from Payee Name	11	88,000
Dollar Account	4	32,000

[51] Supra note 29, Payouts
[52] Supra note 49, Annex A.3. p. 16.

Reason for Unsuccessful Credit	No. of Beneficiaries	The total amount not credited
No Existing Account	4	32,000
TOTAL	**78,221**	**₱571,248,500**

Source: COA Analysis

130. A review of the program guidelines and issued resolutions indicated that most of SSS's procedures were predicated on the assumption that SSS and employers would communicate effectively. For example, SSS will notify employers of any problems identified with the credentials of beneficiaries, and employers will notify SSS if wage subsidies are being claimed incorrectly. However, SSS also had difficulty contacting employers and responding to questions and concerns, which impeded updating bank accounts and mobile phone numbers. One of the factors that hampered the anticipated correction procedures during the pre-payout phase was the allotted time for employers to make corrections. Particularly for beneficiaries who elected to receive the wage subsidy through a money transfer facility, employers are given three days upon receipt of instruction from SSS to rectify the information.[53]

131. A review of the SBWS Program database also showed that 20 worker beneficiaries did not receive the second tranche. According to the program's guidelines, it is possible that some beneficiaries will not get the second tranche. This is the case when the beneficiary resides in a region with a wage subsidy rate over ₱5,000, and the worker is also a DOLE-CAMP 1 beneficiary. Nevertheless, the needed field in the SBWS Program database is empty, so whether these beneficiaries are also CAMP beneficiaries is unknown. One of the 20 beneficiaries was marked with an invalid bank account, and another was marked as an Unclaimed ML Payout. SSS explained that six of the 20 beneficiaries were discovered to have two separate SSS Reference Numbers but were the same person. SSS further noted that the beneficiaries were ineligible for the second tranche to prevent duplication of subsidies. While the remaining 14 beneficiaries were discovered to have received unemployment benefits and final claims, they were deemed ineligible. Even though these 14 beneficiaries were disqualified, the SSS did not send a demand letter for the return of the wage subsidy; instead, they were only excluded from receiving their second tranche of subsidy.

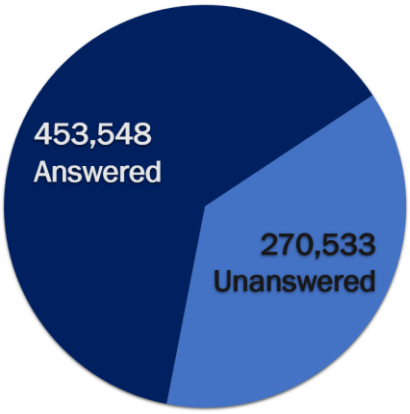
132. Based on the generated disbursement report from the SBWS Program reporting website (sbws.sss.gov.ph) accessed from the SSS account of the employers, we found that more than 300 employees did not receive their second tranche. The following were cited as reasons for these unclaimed and unpaid subsidies based on interviews and surveys with employers and employee beneficiaries:

[53]Supra note 32

1. Lockdown restriction, thus, cannot claim in Money Remittance Center (M. Lhuillier claim).
2. CAMP-subsidy recipient and choose not to claim.
3. Employers' queries were unanswered (for resending of reference number).

133. It is not clear whether the reports posted online were updated. Therefore, a separate audit query was issued to determine the purpose of the online reports accessible to employers and whether or not the data accessible to program beneficiaries was integrated into the SBWS Program database. Nevertheless, there was no response from SSS Management.

Figure 10: SBWS Program Queries



Source: SPTF Updates Meetings

134. Out of 724,081 queries, 63 percent or 453,548 were answered by program implementers, while 270,533 remained unanswered and to mitigate this issue, canned responses and frequently asked questions were issued and published on the program's primary media outlet (SBWS Program google drive, Facebook pages) as shown in Figure 10 above.

135. SSS Management commented that the recording of rejected/unsuccessful payouts was based only on the SOA data due to the unavailability of complete reports (Inward Files from the DBP). As of April 26, 2023, SSS still awaits the necessary Inward Files from the DBP to complete the analysis and reconciliation process. However, based on the email provided by DBP, a review of the email exchanges between SSS and DBP provided, it was observed that DBP claimed that the inward files requested by SSS were already sent to SSS SFTP on October 29, 2021.

136. If SSS completes the analysis and reconciliation process using the inward files from DBP on October 29, 2021, still grant of a wage subsidy to the beneficiaries for the ₱6.7 billion rejected/unsuccessful would be possible. Given

the fact that, firstly, the SPTF Resolution No. 8 dated August 14, 2020, which covers the extension of the payout period after June 25, 2020, was applicable only for beneficiaries who did not receive Tranche 2 wage subsidy and secondly, the remaining fund of the program was fully returned to the BTr on February 15, 2022.

137. Moving forward, the risk of reoccurrence of pandemic and other national health emergencies is generally accepted that may result to adoption or implementation of similar financial relief programs. Taking into account the lessons learned from the implementation of SBWS Program that heavily relied to the inputs from the applicants, additional measures such as utilization of government's national database could be a source for a reliable and accurate information to specifically target beneficiaries. As for payout options, to at least prevent the unsuccessful claims of subsidy due to incorrect bank accounts and invalid contact information, program implementers may capitalize the use of SSS UMID ATM card and also the database resulting from the implementation of Subscribers Identity Manual (SIM) Registration Law.

Conclusions

138. The SBWS Program aims to provide wage subsidy for two months to employees in the formal economy sector who were unable to work due to the temporary closure of businesses affected by the ECQ or other forms of quarantine in response to the COVID-19 public health emergency. Considering the risk of COVID-19 infection and the program's overarching purpose of providing immediate assistance to impacted employees, the program implementer's decision to employ technology was prudent.

139. The online application system has facilitated the grant of wage subsidies to the target employees from the small business in the formal economy sector. Given the time constraints associated in its implementation, the program was able to distribute wage subsidies aggregating to ₱45.1 billion within three months out of the ₱51 billion budget. The program has served 3.1 million out of the target 3.4 million employees.

140. In spite of the program accomplishment, its implementation encountered challenges impacting on program's effectiveness and efficiency. The program was not able to achieve its target number of employees from the small businesses in the formal economy sector. Out of the 1,768,413 target beneficiary from the non-essential business (Category A), only 1,050,971 benefited from the program leaving 717,442 employees or 41 percent of the target employees not served. On the other hand, target of 1,638,637 employees under quasi-essential businesses (Category B) exceeded by 412,077 beneficiaries. It was also notable that employees affected by the pandemic classified as Category C: Essentials were not covered by the program. SSS confirmed that one of the factors affecting the attainment of the target in the non-essential category was information dissemination.

141. There were gaps and limitations noted in the online application system particularly in data entry, verification process and payout process causing delay in the processing and payment of wage subsidy. The employees' name, TIN, bank account and mobile number encoded by the employers were considered final and there were no procedures to validate them. As a result, the system was able to capture incorrect and incomplete information. Later, correction procedures were instituted but could not accommodate all corrections due to limited time. The absence of reliable databases of program beneficiaries also caused incorrect tagging in the processing of applications. These gaps and limitations caused the distribution of ₱1.92 billion to 132,506 beneficiaries with duplicate or invalid TINs. The incomplete and invalid information also resulted in unclaimed payouts for 77,167 and 17,205 beneficiaries in remittance centers and bank accounts, respectively. Moreover, delayed and unsuccessful release of payouts defeats the objective of providing immediate relief to intended employee beneficiaries.

142. The lack of effective monitoring and reporting mechanisms compromises accountability and transparency in properly using government funds. There were improper payments that the program implementers should have rectified.

Management relied on Employers' Undertaking and self-attestation to check employees' eligibility for the program and recover any potential erroneous payments. Additionally, implementers relied on COA's post-audit to identify ineligible beneficiaries. And due to the inadequate post-implementation mechanism, recovery of wage subsidy payments to ineligible beneficiaries would be difficult.

143. In addition, the program's bank account for voluntary returns from ineligible SBWS program beneficiaries includes deposits from other programs such as SAP, 4Ps, and CAMP rendering unreliable accounting of voluntary returns for the program.

144. Lastly, the implementation challenges and the limited timeframe to implement the program coupled with the rejection and failure of ₱6.7 payouts, which were not reprocessed, caused the SPTF Board to return the unutilized fund of ₱5.7 billion to the Bureau of Treasury. The unutilized fund could have covered at least 350,757 employees from the affected small business under the formal economy sector.

Recommendations

145. While the program's implementation has ceased, the same wage subsidy program for the workers in the formal economy sector may be adopted in future health emergencies and pandemic with the same responsible agencies. Considering the lessons learned from the implementation of the SBWS Program during the COVID-19 pandemic, an enhanced program can be formulated. In line with the principles of efficiency, economy, and effectiveness, we recommend measures that can be considered by the SSS in coordination with DOF and BIR:

a) During the planning phase of the program, there is a need to conduct risk assessment to identify risks and problems and thereafter develop appropriate strategies and mitigating measures through a work plan to ensure that implementation is carried out in accordance with the timeline and objectives of the program. To maximize utilization of fund allocation and ensure that all affected employees receive equal opportunities to avail of the wage subsidy program, the identification process and criteria used in the SBWS Program need to be revisited and improved;

b) The system used in the SBWS Program be enhanced by considering, among others, additional features relating to preventive validation controls on data entry required for the application, processing and payout of wage subsidies. The specific controls should include efficient capture and validation of TIN and completeness of required information. The use of the national ID system and SIM may facilitate the verification of program beneficiaries while the use of SSS UMID ATM cards may prevent payments to ineligible beneficiaries and/or invalid accounts. In addition, data sharing from compatible program databases may need to be considered for efficient and effective validation of applicants in accordance with program guidelines;

c) There should also be a reliable and accessible mechanism for beneficiaries to verify the status of their applications and payouts so that any deficiency can be readily addressed;

d) There is also a need to formulate and implement a robust information campaign for effective dissemination of program materials and announcements to avoid misunderstanding and misappreciation of information and instructions to employers and employees. This information campaign along with improved process on return of wage subsidy will ensure efficient, appropriate and correct accounting of return of subsidies inadvertently provided to the beneficiaries; and

146. In the meantime, to ensure that program funds have been utilized in accordance with the program guidelines and objectives, the SSS in coordination with BIR and DOF should:

a) Identify the ineligible beneficiaries from those with duplicate/invalid TINs or whose TINs were not found in the BIR Database; and

b) Take appropriate steps to recover wage subsidies granted to ineligible beneficiaries.

Agency Comments

The Management of SSS, DOF, and BIR submitted their comments on the Report. Their comments were considered, as appropriate, in this Report.

Contact points for our Performance Audit Office may be found on the last page of this Report. In addition, significant contributors to this report are listed in Appendix VI.

In addition, the Report will be available at the COA website, which can be found at https://www.coa.gov.ph.

MICHAEL L. RACELIS
Director IV
Performance Audit Office
Special Services Sector

Appendix I: Objectives, Scope and Methodology

COA conducted performance audits to help government agencies better perform their mandate and achieve program goals and objectives more economically, efficiently, and effectively. It identified the SBWS Program to be audited considering its materiality and significance being one of the social amelioration programs to mitigate the socio-economic impact of the COVID-19 health crisis. The audit aimed to determine: (1) the goals and objectives of the financial assistance/wage subsidy program implemented by SBWS for the formal economy sector; (2) the challenges encountered impacting the efficient and timely implementation of the program; and (3) the extent the implementing agencies ensure proper administration of the financial assistance/wage subsidy program.

To determine the goals and objectives of the financial assistance/wage subsidy program implemented by the tri-agency BIR, DOF, and SSS for the formal economy sector, desk reviews were conducted on relevant laws, policies, rules, and regulations related to the SBWS program. These include documentation of the target number of beneficiaries, budget allocation, budget utilization and distribution, and SBWS program accomplishments regarding the number of beneficiaries who benefitted from the program. In addition, the alignment of SPTF-issued guidelines with the implementation of the SBWS program to relevant laws, policies, rules, and regulations was also reviewed to determine whether the objective of the program as economic relief to mitigate the adverse socio-economic impact of the COVID-19 pandemic was observed and target beneficiaries were prioritized.

To determine the challenges encountered impacting the efficient and timely implementation of the program and the extent, the implementing agencies ensure proper administration of the financial assistance program, the team performed walkthrough procedures to review the existing controls/mechanisms in place in processing the applications, which involves the receipt, initial evaluation, final evaluation/review, and release of financial assistance to payout centers/money remittance service providers. The team also conducted interviews and administered questions to BIR, DOF, and SSS Management to determine their planning, coordinating the monitoring, and reporting processes related to the implementation of the SBWS program. The team also conducted meetings and briefings with the tri-agency regarding program implementations, program walkthrough process, and review of program guidelines to determine each agency's respective roles and responsibilities. In addition, the team analyzed data regarding SBWS program beneficiaries provided by SSS and a pre-qualified list from BIR. Finally, the team analyzed financial assistance evaluation completion data and payout distribution.

Further, the team reviewed data-sharing agreements, joint memorandum circulars, joint resolutions, and advisories relevant to implementing the SBWS program. The team also analyzed and compared the data from DOLE-CAMP 1

Appendix I: Objectives, Scope and Methodology

beneficiaries to determine duplication and incorrect tagging of program beneficiaries. Moreover, the team administered survey questions to selected private establishments/applicants and employees/beneficiaries to assess the level of their awareness of the program, and the challenges they had encountered in the course of application, communication with the implementers, tracking the status of the application, and receiving the financial assistance.

The audit was conducted from June 2021 to June 2022. Given the limitations on travels posed by the localized community quarantine impositions and health protocols in 2021, in-person interviews, audit fieldwork, and validations were restricted. As an alternative, most of the audit activities were done using electronic means. The supposed deadline of the audit execution in January 2022 was extended for three months or until April 2022 excluding the report writing process. In view of the relaxed protocols in 2022, the team was allowed to use the audit period extension to conduct audit fieldwork and validation on four selected Regions, namely NCR, Regions III, VII, and XI. The selected provinces were Bulacan, Pampanga, Cebu City, Davao City, and Davao del Norte. The audit fieldwork and validation are comprised of interviews with HR/employers on the process of applications to the program and administration of survey questions to private establishments and their employees, who they had applied for, and become beneficiaries of SBWS.

We visited beneficiaries from the country's three island groups: Luzon, Visayas, and Mindanao. Region III for Luzon, Region VII for Visayas and Region XI for Mindanao. NCR was also included, considering it is the center of the COVID-19 pandemic and the most affected region economically. In addition, samples selected from Quezon City processed employers/applicants and employees/beneficiaries were the subjects of the pilot survey. The team also conducted CAMP-DOLE beneficiary matching based on the data available for both programs.

The audit followed the Standard for Performance Auditing embodied in the ISSAI 3000. The standard requires that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Application System Developed for the Program

Method 1 My.SSS Portal[54]

The first method of application is thru My.SSS portal. The technical experts make this from application systems development from the ITMG team. The first step is for the employer to log in to the SBWS portal through the SSS website (www.sss.gov.ph) using the login account of the employer's SSS account and the passcode sent by BIR to the pre-qualified employers. The employer is the one responsible for encoding the details of employees thru the application system of SSS (My.SSS Portal). They must input the TIN, mobile number, bank account number, and other details for the application to proceed. If an employee is not listed in the SSS list, it may be because (1) the Employee is not yet registered in My.SSS facility, (2) is disqualified, and (3) lacks information in My.SSS account. The employer can only confirm the name of the employees listed in the SSS application system to be included as program beneficiaries.

Method 2 E-form Submission via Secure link[55]

The 2nd application method is E-form submission through a secure site (SharePoint). Again, eligible employers were sent a secure email link. Through this method, the employer receives the email link SSS sent to all pre-qualified employers on the SSS file. Thru this link, the employer will sign in using their Microsoft account to log in to the system; if they don't have a Microsoft account, they should create one before accessing the link. The next step is for the employer to encode all the details of its employees applying for the program. Finally, the employer must sign the electronic undertaking before applying. This application does not require any BIR-issued passcode given for the employer to access. You only need the link for the employers to access. Also, you can only use this method once; subsequent submission is not allowed per employer account. Once the employer applies, SSS shall process the application and will update via email on its status.

Method 3: Microsoft Excel file upload to SBWS Portal[56]

In this method, the employer can download the Excel template and then encode the list of employees' data offline before finally uploading the file online. It was also noted that on this method, you could only submit it once, and no amendments or edits are allowed using this method. Any request for amendments shall be made through the My.SSS facility. The file template should not exceed 10 Mb file size per upload.

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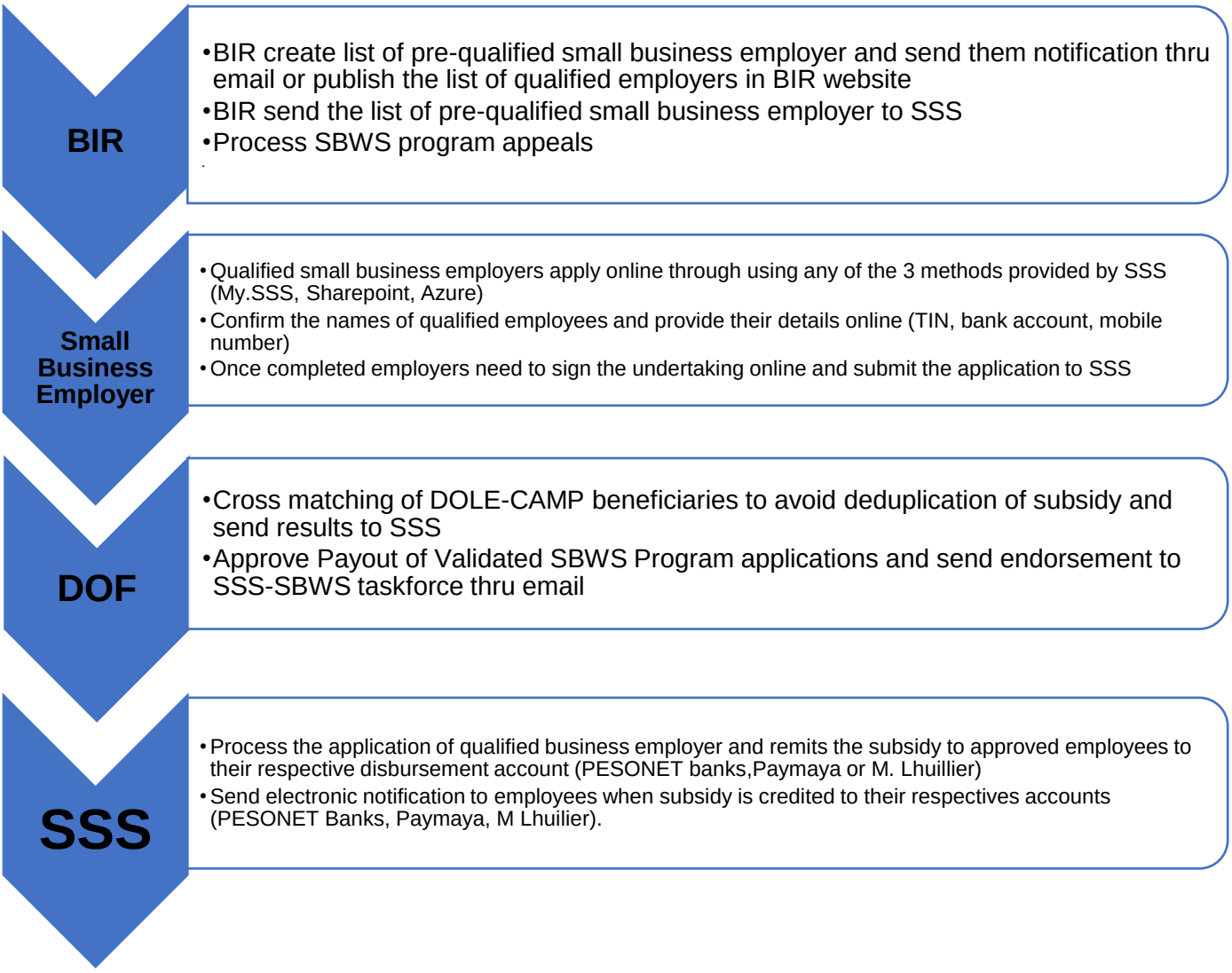
[54] Small Business Wage Subsidy (SBWS) Program, Procedure for My.SSS Portal
[55] Alternative application guidelines and procedures for small business wage subsidy (SBWS Program) method 2
[56] Application guidelines and procedures for Small Business Wage Subsidy (SBWS) Program: File upload through secure site (Microsoft Excel file upload to https://sbws.sss.gov.ph)

Appendix III: SBWS Program Key Implementers



The SPTF mainly handled the SBWS Program, consisting of various DOF, BIR, and SSS officers. They address issues relating to policy, the application process, payout distribution, other related queries, and concerns about the program.

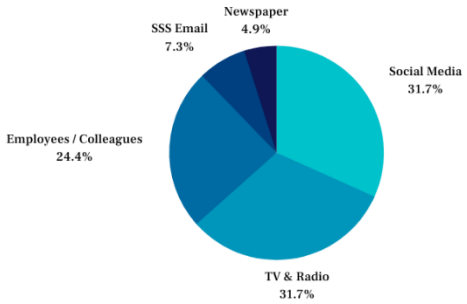
Appendix IV: SBWS Program Process Flow



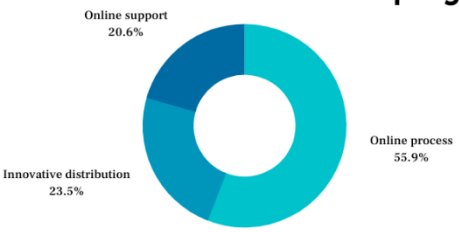
Appendix V: Result of Survey on Employer of Program Beneficiaries

Results of Survey On
Employers of SBWS Program Beneficiaries

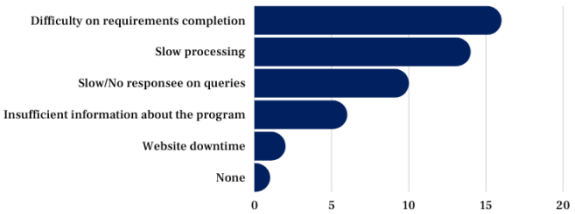
How did the employer hear about the program?



What did you like about the program?



What challenges did you encounter in the program?



Results of Survey On
Employers of SBWS Program Beneficiaries

Voluntary Returns

8 out of 9 Small Business Employers



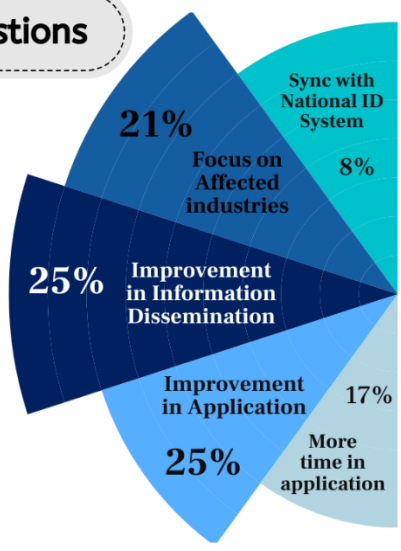
decided to return the subsidy because they think they or their employees were not qualified, received an excessive amount, or violated the conditions of the program based on their own understanding of the guidelines issued by the SSS

6 out of 9 Small Business Employers



instructed their employers to return the wage subsidies received whom they identified as recipients of the wage subsidy but are not qualified or violated the program's conditions, or those who received the excessive amount due to being DOLE CAMP or SAP beneficiary

Suggestions



Appendix VI: COA Contact and Staff Acknowledgments

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Assistant Commissioner Alexander B. Juliano provided invaluable inputs in finalizing the Report.