

## STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

1. Of the 102 audit recommendations issued last year, 39 were fully implemented, 41 were partially implemented and 22 were not implemented, as discussed in the table below.
2. For partially and not implemented audit recommendations, we request that these be included in the Agency Action Plan and Status of Implementation (AAPSI) Form which the Management will be required to accomplish and submit within sixty days from receipt of the Annual Audit Report for CY 2017.

<i>Ref.</i>	<i>Observations</i>	<i>Recommendations</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation</i>
<b>FINANCIAL AND COMPLIANCE AUDIT</b>				
AAR 2016 A AOR-1 Page 34	The accuracy and reliability of the P18.188 billion year-end balance of account Due to National Treasury which represents Advances by the National Government thru the Bureau of the Treasury on NEA's foreign loans could not be determined due to the existence of an unidentified reconciling item amounting to P3.836 billion per confirmation schedule received from BTr and unreconciled variance of individual old and new loan accounts per NEA's books by the same total amount.	<p>a. Inquire with the BTr the noted unidentified reconciling item on the interest of advances under old loans amounting to P3,836,006,287.21 for its further analysis and identify to which particular loan account should be recorded;</p> <p>b. Discuss with the BTr the noted unreconciled individual loan accounts so that necessary adjustments can be made by either NEA or BTr in the respective books of accounts; and</p> <p>c. Cause the settlement of the outstanding obligations to the BTr, should the request for conversion be not granted.</p>	Of the P18.162 billion payable to BTr, the amount of P14.915 billion was endorsed by the DOF to DBM for conversion. The balance of P3.246 billion is payable in 4 years on a quarterly basis starting March 2018 up to March 2021.	<p>a. Fully Implemented</p> <p>Reconciled with the BTr and recorded the balance amounting to P3.836 billion to Interest on Advances.</p> <p>b. Fully Implemented</p> <p>Balance as of December 31, 2017 reconciled with the confirmation balance per BTr.</p> <p>c. Not Implemented</p> <p>To date, no partial payment was made to the BTR</p>
AAR 2016 A AOR-2 Page 40	Overstatement of P452.501 million and understatement of P520.357 million or a net variance of P67.856 million were found existing between the year-	<p>a. Analyze and identify all possible causes of variances between book balance and ECs' confirmed balances;</p> <p>b. Reconcile variances and upon acceptance</p>	<p>Management submitted reconciliation with comments/explanations on the variance.</p> <p>Management had adjusted /reconciled</p>	<p>a. Fully Implemented</p> <p>b. Fully Implemented</p>

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	end balance of Loans Receivable amounting to P9.445 billion (current and long-term) and the results of confirmation from Electric Cooperatives (ECs) totaling P5.487 billion. The variance was attributed mainly to loans not included in ECs confirmation, difference in net amount of loans, unrecorded amortization, and advance interest in NEA's books.	by both parties, immediately make the necessary adjustments in the NEA's books and/or in the ECs' records to present the actual outstanding loan balance as of reporting date; and  c. Conduct regular reconciliation of loans receivables with the ECS to thresh out differences in the accounts.	the variances of the 66 ECs that submitted confirmation statements and as explained, the variance between the confirmed amount and NEA's records are very minimal.  Management have also taken into consideration the suggestion that a regular reconciliation should be under taken by NEA	c. Fully Implemented
AAR 2016 A AOR-3 Page 43	Of the total outstanding Miscellaneous Receivables amounting to P56.098 million (net) as of December 31, 2015, only P4.107 million or 7.32 percent was collected at year-end and the amount of P52.079 million remained unsettled and outstanding in the books for more than 10 years with remote possibility of collection.	a. Exhaust all possible remedies to collect the receivables from the debtors and the employees who are no longer connected with NEA; and  b. Expedite the evaluation and reconciliation of all overdue accounts to determine its proper disposition and make the necessary adjustment in the books or request for write-off, if warranted.	Management prepared collection letters to former NEA and COA employees.  Management will continue to collect from the ECs who agreed to pay their GSIS All-Risk accounts on installment basis. As a result of the collection efforts, NEA has collected the total amount of P6,864,079.32 as of December 31, 2017.	a. Partially Implemented  Reiterated in Part II A AOR-5.  b. Not Implemented
AAR 2016 A AOR-4 Page 49	NEA continuously granted various PRAISE incentives to its officials and employees totalling P21.503 million without approved budget from the Department of Budget and Management (DBM) and supporting computation of	a. Stop the grant of PRAISE incentives without an approved budget, and for future grant thereof, provide corresponding budget/allocation in the COB for DBM approval;	Filed an appeal to COA Cluster Director on January 18, 2018 under OR# 8642065.	a. Not Implemented  Notice of Disallowance No. 2017-002 dated August 29, 2017 amounting to P21.503 million was issued on August 30, 2017.

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	monetary savings generated out of superior accomplishments and other personal efforts, as required in Section 15 of Executive Order 518 and Civil Service Commission (CSC) Resolution No. 010112 and CSC Memorandum Circular No. 01 s. 2001.	<p>b. Submit proof and justification that the superior accomplishments and other personal efforts by individuals or groups have resulted in monetary savings and that PRAISE incentives did not exceed 20 percent of the monetary savings generated; and</p> <p>c. Cause the refund to NEA the PRAISE incentives granted to the employees.</p>		<p>Notice of Disallowance No. 18-001-101-(17) dated May 25, 2018 amounting to P4.498 million was issued on May 25, 2018.</p> <p>b. Not Implemented</p> <p>c. Not Implemented</p> <p>With appeal filed with the Cluster.</p>
AAR 2016 A AOR-5 Page 53	Grant of monetary retirement award amounting to P2.180 million to honor retiring officials and employees for CYs 2013 to 2016 was not in accordance with the CSC Memorandum Circular No. 7, series of 1998 and Section 28 (b) of Commonwealth Act No. 186 as amended by RA No. 4968 or the Teves Retirement Law.	<p>a. Stop the grant of monetary retirement award to retiring employees; and</p> <p>b. Require the retired/ separated employees who received the monetary retirement award to refund the said amount in compliance with the General Provisions of GAA – Use of Appropriations for Retirement Gratuity and Terminal Leave.</p>	Management filed an appeal to COA Cluster Director on January 18, 2018 under OR# 864264.	<p>a. Not Implemented</p> <p>Management continued the grant of monetary retirement award to its retiring employees in 2017.</p> <p>b. Not Implemented</p> <p>Notice of Disallowance was issued.</p> <p>With appeal filed with the Cluster.</p>
AAR 2016 A	Various asset and liability accounts recorded in the	a. Require the Accounting Division to review, analyze the	FSAD conducted the necessary reconciliation and	a. Partially Implemented

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AOR-6 Page 58	subsidiary ledgers were not effectively monitored, resulting in abnormal negative balances amounting to P12.895 million.	accounts and identify all abnormal debit/negative balances that remained unreconciled/unadjusted;  b. Determine the nature of transaction and reason for the error that caused the abnormal balance and prepare the necessary adjusting entries to correct the account balance; and  c. Require the Accounting personnel in charge of monitoring the accounts to regularly monitor the accounts recorded in the subsidiary ledger to avoid incurrence of abnormal negative balances.	various adjustments were made with a total amount of P143,283.29.	b. Partially Implemented  Of the P12.894 million, only P0.136 million were adjusted or 1.05 percent.  c. Not Implemented  For CY 2017 transactions, a total of P0.158 million was added to the abnormal negative balances.
AAR 2016 A AOR-7 Page 60	No Report of Physical Count of Inventory (RPCI) for supplies and spare parts was prepared and submitted to COA as required in Section 122 of PD 1445.  Stock ledgers maintained by the Accounting Division for Inventory items showed negative balances totaling P12.440 million	a. Require the Senior Supply/Property Officer to prepare and submit Physical Inventory Report of supplies by type as at a given date, showing the balance of all inventory items per count, in compliance with the provision of Section 122, Chapter 3 of PD 1445.  b. Designate a dedicated accounting personnel to analyze the 36 Inventory items to determine the causes of the negative balances and make the necessary adjustments, if warranted; submit explanation on the existence of negative balances for the 36	Merchandise In Transit Account will be reconciled and appropriate JEVs will be prepared, if necessary.	a. Partially Implemented  Reiterated in Part II A AOR-8.  b. Partially Implemented

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		inventory items.		
AAR 2016 A AOR-8 Page 62	Loan granted to Philippine Rural Electric Cooperatives, Inc. (PHILRECA) in October 1991 amounting to P10 million which was disallowed in September 1992 due to lack of legal bases remained unsettled for more than 20 years and recorded under account Loans Receivable – Others instead of Receivables – Disallowance/ Charges.	<p>a. Reclassify the account Loans Receivable from PHILRECA to Receivables – Disallowance and Charges amounting to P7,816,719.00; and</p> <p>b. Take appropriate legal action to compel PHILRECA to settle its long outstanding account and determine the propriety of charging interest and surcharges on the said loan taking into account the COA disallowance.</p>	<p>The amount of P1,969,896.64 was collected from PHILRECA per OR No. 7893675 dated May 23, 2017.</p> <p>Waiting for COA's Notice of Settlement of Suspension/ Disallowance/ Charge (NSSDC).</p> <p>Upon receipt of NSSDC, the account will be adjusted.</p>	<p>a. Fully Implemented</p> <p>b. Not Implemented</p>
AAR 2016 A AOR-9 Page 67	Various Payable accounts totaling P8.900 million remained dormant/long outstanding for more than 2 to 11 years.	<p>a. Require the Accounting Department to review and analyze the payable accounts to determine whether there are still valid claims; otherwise, reverse these long outstanding accounts of which no follow-up by creditors was made or corresponding billings were received in compliance with Section 98 of PD 1445, Section 3.2 of COA Circular no. 99- 004, and DBM and COA Joint Circular No. 99-6;</p> <p>b. Maintain a monitoring ledger for any reversed/dropped accounts; and restore the accounts should there be claims in the future; and</p> <p>c. Exert effort to conduct thorough analysis and</p>	As of December 31, 2017, Management only reversed the long outstanding accounts for Performance/ Bidders /Bail Bonds Payable and Guaranty Deposits Payable amounting to P0.649 million and P0.055 million, respectively.	<p>a. Partially Implemented</p> <p>Reiterated in Part II A AOR-7.</p> <p>b. Not Implemented</p> <p>c. Not Implemented</p>

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		reconciliation of the transactions pertaining to account Accounts Payable and Other Payables with status of for adjustment and reconciliation		
AAR 2016 A AOR-10 Page 71	Creditable withholding taxes amounting to P0.939 million paid by electric cooperatives were recorded by NEA as Due to BIR instead of Other Prepaid Expenses – Creditable Withholding Taxes or Prepayments-Withholding Tax at Source.	<p>a. Require the Accounting Division to record the creditable withholding taxes from electric cooperatives included in the top 20,000 private corporations of the Philippines under the Prepayment-Withholding Tax at Source account as required by the Revised Chart of Accounts for Government Corporations of COA Circular No. 2015-010;</p> <p>b. Effect the following journal entries to record the receipt of creditable withholding taxes (with BIR Form 2307) and the claiming/application of the tax credit in the Annual Tax Return.</p> <p>c. Reclassify the remaining balance in the Taxes Withheld by ECs account, if any, (412-6) to Prepayments-Withholding Tax at Source.</p>	<p>In CY 2017 transactions, Management used the account Other Prepaid Expenses (185) in recording the creditable withholding taxes from electric cooperatives.</p> <p>Management reclassifies the remaining balances in the Taxes Withheld by ECs account (412-6) to Other Prepaid Expenses per JEV NO. 2017-05-003052 dated May 22, 2017.</p>	<p>a. Fully Implemented</p> <p>b. Fully Implemented</p> <p>c. Fully Implemented</p>
AAR 2016 A AOR-11 Page 75	The account Receivables – Disallowances/Charges with year-end balance amounting to P0.851 million remained unsettled for more than 10 years as of	a. Enforce settlement of the disallowances in accordance with the procedures under the Rules and Regulations on Settlement of Accounts (RRSA) prescribed under COA Circular No. 2009-006;	Management has every intention to collect the receivables from the persons liable, NEA's cause of action is hindered by the prescribed statute of limitations of 10 years as stated in	<p>a. Partially Implemented</p> <p>Reiterated in Part II A AOR-9.</p>

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	December 31, 2016 due to the absence of action taken by Management towards the settlement of disallowances.	<p>b. Submit certified documents such as Death Certificates issued by the Philippine Statistics Authority (PSA) for those who are deceased; and</p> <p>c. Send demand letters to the persons liable who are no longer connected with NEA.</p>	Article 1144 of the Civil Code of the Philippines.	<p>b. Not Implemented</p> <p>c. Not Implemented</p>
AAR 2016 A AOR-12 Page 78	Due from Officers and Employees totaling P0.338 million remained uncollected/ outstanding as of December 31, 2016, despite previous COA recommendations to immediately effect payroll deductions.	a. To immediately effect payroll deductions for the uncollected/ outstanding balances from employees.	Management is currently reconciling the accounts and will adjust the accounts once reconciled.	a. Not Implemented
AAR 2016 A AOR-13 Page 80	Unreconciled balance of account Cash-Regional Centers (for recon) amounting to P198,298 which has been existing since 2005 cast doubt on the existence of the balance as at year-end.	<p>a. Require the Accounting personnel to perform a detailed review of the transactions and reconcile the balances; and</p> <p>b. Make the necessary adjusting entries in the subsidiary ledger to clear the balance of the account.</p>	Management is still gathering documents to reconcile the account.	<p>a. Fully Implemented</p> <p>Reiterated in Part II A AOR-10.</p> <p>b. Not Implemented</p>
AAR 2016 A AOR-14 Page 82	Transfer Certificate of Titles (TCTs) surrendered to NEA as collateral for loans granted to various Electric Cooperatives (ECs) had not indicated any such annotations by the Registry of Deeds (RD). Likewise,	a. Cause the AMGDD to immediately register all Deed of Mortgage together with the original TCTs to the Registry of Deeds for annotation in compliance with Sections 54, and 61 of PD No. 1529;		a. Not Implemented  Reiterated in Part II B AOR-17.



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	there were 120 mortgaged original TCTs without annotation, 58 photocopied TCTs with annotation and 66 photocopied TCT's without annotations, with aggregate loan balances as of December 31, 2016 amounting to P3.725 billion, P2.112 billion and P2.876 billion, respectively.	<p>b. Require the ECs to have the executed Affidavit of Surrender of Certificate of Title annotated with the Register of Deeds; and</p> <p>c. Require the electric cooperatives/borrowers to submit/surrender to NEA all original copy of TCTs for safekeeping until loans are fully paid pursuant to NEA Loan Policy No. 29 and Affidavit they executed.</p>		<p>b. Not Implemented</p> <p>c. Partially Implemented</p>
AAR 2016 A AOR-15 Page 86	NEA still maintained depository bank account with a foreign bank with year-end balance of P10.938 million, which is not an Authorized Government Depository Bank/Government Financial Institution (AGDB/GFI) without prior approval from the Department of Finance (DOF), contrary to DOF Circular Nos. 001-2015 and 002-2016.	a. To expedite the withdrawal/transfer of NEA's entitlement to the fund from BPI to an Authorized Government Depository Bank/Government Financial Institution, if not, secure/request approval from the DOF for maintaining an account with a bank other than the AGDB/GFI as required in DOF Circular Nos. 001-2015 and 002-2016.	The balance was already transferred to an Authorized Government Depository Bank and the necessary adjusting entries were prepared.	a. Fully Implemented
AAR 2016 A AOR-16 Page 89	The carrying value of the items included in Property, Plant and Equipment (PPE) for fire insurance coverage for CY 2016 was overstated by P0.534 million due to inclusion of non-insurable property and incorrect computation of net book value, thus, resulted in higher insurance premium. Likewise, the	<p>a. Revise and update the list of properties to be insured for CY 2017 in accordance with COA Circular No. 2016-006 and in compliance with DBM Circular Letter No. 2016-7 to avoid payment of higher premium and furnish COA the Inventory of insurable properties to verify its correctness;</p> <p>b. Make the necessary adjustment/reclassification for small tangible items considered as</p>	Complied	<p>a. Fully Implemented</p> <p>The list of properties submitted or use for the fire insurance for CY 2017 is compliant with COA circular No. 2016-06.</p> <p>b. Fully Implemented</p>



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	procurement of Apple mouse, a high-end item was considered unnecessary expenditure pursuant to COA Circular No. 2012-003.	Inventory in accordance with COA Circular No. 2005-002; and  c. Stop the practice of purchasing high-end items pursuant to COA Circular No. 2012-003 dated October 29, 2012.		Adjustments were made.  c. Not Implemented  For CY 2017, NEA procured 2 iPad for use of NEA BOAs.  Reiterated in Part II B AOR-14.
AAR 2016 A AOR-17 Page 94	Premium contributions and loan amortizations withheld from employees for GSIS, Pag-IBIG and PhilHealth for CY 2014 and prior years aggregating P156,738 were not remitted as of December 31, 2016, preventing the member employees from acquiring loans and benefits.  Likewise, the reported year-end balances of the accounts Due to GSIS, Due to PAG-IBIG and Due to PhilHealth were misstated due to the inclusion of debit/negative balances totalling P179,466, indicating over-remittances to the concerned agencies and/or erroneous computation of premium contributions or loan amortizations.	a. Direct the Accounting Division to remit immediately the prior years' premium contributions and loan amortizations of P156,738 due to the GSIS, Pag-IBIG and PhilHealth, and henceforth, observe the mandatory timeline of making remittances to the concerned offices to avoid the imposition of additional interest and penalty charges; and  b. Designate a focal person from the Accounting Division to analyze the accounts with debit/negative balances that remain unreconciled/unadjusted over the years and determine the cause of such abnormal balance and prepare the necessary adjusting entries to correct the account balance.	FSAD conducted the necessary reconciliation and various adjustments were made.	a. Partially Implemented  For CY 2017, various adjustments were made on accounts Due to Pag-IBIG and Due to GSIS amounting to P10,183.70 and P28,208.44, respectively.  b. Partially Implemented

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AAR 2016 A AOR-18 Page 97	<p>Hiring of highly technical consultants was not compliant with the prescribed procedures under Section V, paragraph D.7.b of Annex H of the 2016 Revised Implementing Rules and Regulations (RIRR) of RA 9184.</p> <p>The term of service of three highly technical consultants was not in accordance with Section 53.7 of the 2016 Revised IRR of Republic Act (RA) No. 9184.</p> <p>No performance security was posted by the Consultants pursuant to Vol. 4 of the Manual of Procedures for the Procurement of Consulting Services and Section 39.2 of the RIRR of RA 9184.</p>	<p>a.Ensure that the procedures prescribed in the hiring of highly technical consultants are followed particularly on the submission of justification by the end-user to the BAC for negotiation, validation and recommendation to the HOPE for awarding of the contract as required under paragraph V.D.7.b of Annex H of the 2016 IRR of RA 1984;</p> <p>b.Strictly follow the six month prescribed term for hiring of highly technical consultant pursuant to Section 53.7 of the IRR of RA 9184; and</p> <p>c.Require the consultants to post performance security as part of the contract of service in accordance with Section 39 of the IRR of RA 9184.</p>	<p>Complied with the recommendation on the prescribe procedure on the hiring of technical consultants under the IRR of RA No. 1984 for CY 2017.</p> <p>Complied with the recommendation.</p> <p>Complied with the recommendation.</p>	<p>a.Fully Implemented</p> <p>b.Fully Implemented</p> <p>c.Fully Implemented</p>
AAR 2016 A AOR-19 Page 100	<p>Purchase Orders, together with the supporting documents, were not submitted to COA within five working days from issuance thereof.</p> <p>Absence of supplemental or amendments to support the changes in individual Project Procurement Management Plan and consolidated Annual Procurement Plan and non-</p>	<p>a.Require the GSD to submit copy of all purchase orders together with all the required documentary requirements to COA office within five (5) working days from issuance thereof pursuant to the provision of COA Circular No. 2009-001;</p> <p>b.Prepare supplemental or amendments for any changes and adjustments made approved by the Head of procurement or</p>	<p>Complied with the recommendation.</p> <p>Complied with the recommendation.</p>	<p>a.Fully Implemented</p> <p>b.Fully Implemented</p>

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	<p>approval by the head of procurement of the adjusted Approved Budget for the Contract (ABC); and non-compliance with provisions of Rule II, Sections 7.2 and 7.4 of the RIRR were found in audit.</p> <p>Minimum number of quotations to be obtained for the procurement of goods thru shopping was not complied with.</p> <p>Procurement contract was not awarded in favor of the supplier with the lowest calculated and responsive quotation.</p>	<p>second-ranking official designated by the Head of Procurement on the individual PPMP and consolidated APP for the budget year. And submit said supplemental or amendments to the GPPB every July of the current year and January of the following year in accordance with Rule II, Section 7.2 and 7.4 of 2016 Revised IRR for RA 9184;</p> <p>c. Require the GSD to always obtain a minimum of three (3) price quotations from different suppliers pursuant to Rule XVI, Section 52.3 of the 2016 Revised IRR for RA 9184; and</p> <p>d. Submit justification on the awarding of contract to Supplier 1, despite having the highest offer.</p>	<p>Complied with the recommendation.</p> <p>Complied with the recommendation.</p>	<p>c. Fully Implemented</p> <p>d. Fully Implemented</p> <p>Reiterated in Part II B AOR-15.</p>
<p>AAR 2016 A AOR-20 Page 105</p>	<p>Liquidation reports were not recorded in the books within 10 days after receipt of supporting documents from the accountable officer.</p> <p>Neither original copies of boarding passes and terminal fee tickets nor certified copies thereof were required to be attached in the liquidation report of cash advances for local travel amounting to</p>	<p>a. Require the Accounting Unit/Department to record liquidation reports submitted within 10 days from receipt to present the correct balance or accountability of the accountable officers at the end of the accounting period as basis in succeeding grant;</p> <p>b. Direct the travelling officers and employees to provide the original copies of the boarding passes and terminal</p>	<p>Complied with the recommendation.</p> <p>Complied with the recommendation.</p>	<p>a. Fully Implemented</p> <p>b. Fully Implemented</p>

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	P234,080.  Incomplete supporting documents for the liquidation of cash advances of per diems of Board of Administrators amounting to P1.292 million was found in audit, contrary to Section 5.3 of COA Circular No. 97-002, Section 39.1 of PD 1445 and Section 5.7.3 of COA Circular No. 2012-001.	tickets or authenticated/certified true copies as prescribed under Section 39.1 of P.D. 1445 to show proof that the corresponding travels/trips were indeed undertaken; and  c. Provide the actual Minutes of Meeting and Attendance Sheets as certified by the Board Secretary to establish validity of the claim for per diems by the Board Members.	Complied with the recommendation by submitting Attendance Sheets for all Actual Regular Board Meetings and Minutes of Meetings.	c. Fully Implemented
AAR 2016 A AOR-21 Page 108	The custodian of property and inventories was not covered by Fidelity Bond, in violation of Section 4.1 of Treasury Circular No. 02-2009 and Section 101 of Presidential Decree (PD) 1445.	a. Require the Property Custodian to apply for Fidelity Bond with the Bureau of the Treasury as required under Section 4.1 of Treasury Circular No. 02-2009 and Section 101 of PD 1445 to cover his property accountability.	Management has furnished the Audit Team on May 25, 2017 with a copy of Confirmation Letter from the BTr approving the application of Fidelity Bond of Mr. Silvano amounting to P500,000.00 for his property accountability.	a. Fully Implemented
<b>SUBSIDY AUDIT</b>				
AAR 2016 B AOR-1 Page 112	SEP/BLEP Projects funded out of subsidy releases totaling P5.928 billion have been completed/implemented, but said amount remain unliquidated as of December 31, 2016. The year-end balance of account <i>Due from NGOs/POs</i> amounting to P6.897 billion could have been reduced had prompt liquidation been strictly observed pursuant to Section 2 of COA Circular No. 2012-001 and Sections 3	a. Discontinue the grant of subsequent releases to ECs with unliquidated subsidy balances and enforce Section 2 of COA Circular No. 2012-001 by requiring full liquidation of prior releases; and  b. Require ECs to immediately submit all the necessary documents to liquidate the subsidy balances to facilitate the closing	As of December 31, 2017, total unliquidated balance is P1.087 billion from P6.8 billion in December 2016. Starting October 2016, NEA is following COA Circular No. 2012-001 of not releasing funds for another project unless fully liquidated except for those ECs with first release and NHA projects.  NEA also issued another Memo No. 2017-009 to all ECs on the timely submission of documents to support liquidation and	a. Partially Implemented  Reiterated in Part II C AOR-23.  b. Fully Implemented

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	and 4 of the MOA between ECs and NEA.	out of the books of both NEA and the ECs pertaining to the subsidy fund.	further sent letters to ECs on various dates for the immediate submission of the same.	
AAR 2016 B AOR-2 Page 116	<p>Unexpended balance of YRRP funds amounting to P272.459 million was realized which has not been returned to NEA pursuant to Sections 2 and 7 of the MOA.</p> <p>Also, various disbursements were found improperly charged against YRRP Fund due to:</p> <p>a. Payroll salaries of regular employees for several months;</p> <p>b. Unutilized Materials charged against the subsidy fund;</p> <p>c. Materials Charge Tickets (MCTs) beyond the issuance of the Certificate of Final Inspection and Acceptance (CFIA);</p> <p>d. Payment of Honorarium for Task Force Kapatid without NEA's approval;</p> <p>e. Cash advances not supported with liquidation documents;</p> <p>f. Expenses not directly related to YRRP project;</p>	<p>a. Require the concerned ECs to return/refund to NEA the unexpended/unutilized balance of the subsidy received in accordance with Sections 2 and 7 of the MOA and other NEA Memoranda on the proper use of subsidy funds, furnishing immediately the COA Office a photocopy of the official receipt, for monitoring purposes;</p> <p>b. Require the ECs to request approval from NEA for any deviations from the MOA and furnish COA Office of the approved copy, if any;</p> <p>c. For ECs with subsidy deficit, release the remaining balance but only up to the amount allowed in the audit;</p> <p>d. Ensure compliance on the submission of documentary requirements required under NEA Memorandum Nos. 2013-022 and 2013-023 and;</p>	<p>DORELCO and LEYECO III have submitted an Updated Accounting of Funds in the amount of P514 million and P258 million, respectively.</p> <p>NEA considered the request of ESAMELCO, LEYECO V and LEYECO III to charge the salaries and wages of regular employees since all employees were deployed during the restoration of power and some overhead expenses, per attached NEA's letters to the ECs, respectively, while the requests of LEYECO II and BANELCO are under evaluation.</p> <p>Additional/Final release for evaluation by ATEO</p> <p>NEA required the EC to submit supporting documents.</p>	<p>a. Partially Implemented</p> <p>b. Partially Implemented</p> <p>c. Partially Implemented</p> <p>d. Fully Implemented</p>

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	<p>g. Unutilized Materials charged against the subsidy fund; and</p> <p>h. Undocumented/ Unsubmitted disbursement documents.</p> <p>Electric Cooperatives with subsidy deficit (excess disbursements over the subsidy receipts) totaled P35.624 million to be covered with the release of the remaining balance up to the actual amount of disbursements allowed in audit.</p>	<p>e. Compel the NEA audit team to conduct examination of the liquidation of documents as required in the NEA guidelines for YYRP; and</p> <p>f. Require the ECs to make a thorough review of the Accounting of Funds to ensure accuracy / correctness of the reports submitted.</p>	<p>Included in the regular audit of NEA-ECAD.</p> <p>NEA required the ECs to make a thorough review of the AOF.</p>	<p>e. Partially Implemented</p> <p>f. Fully Implemented</p>																				
<p>AAR 2016 B AOR-3 Page 121</p>	<p>Unallocated/ Unobligated Disbursement Acceleration Program (DAP) Funds as of December 31, 2016 amounting to P434,249 remained in NEA's books of account and not returned to the Bureau of the Treasury (BTr) in violation of COA Circular No. 94-013.</p> <p>Likewise, the remaining balance or 10 percent retention of DAP subsidy funds for implemented and liquidated projects totaling P82.056 million had not been</p>	<p>a. Return to the BTr the additional unallocated subsidy fund totaling P434,249.15 and the remaining unreleased balance for projects already implemented and liquidated totaling P82,055,991.67.</p>	<p>NEA returned to BTr the total amount of P22,655,964.05 broken down as follows:</p> <table border="0"> <thead> <tr> <th><u>Check No.</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>47186438 P</td> <td>561,365.07</td> </tr> <tr> <td>47186551</td> <td>22,094,598.98</td> </tr> <tr> <td></td> <td>P22,655,964.05</td> </tr> </tbody> </table> <p>As of December 31, 2017, the amount of P82,055,991.67 is accounted as follows:</p> <table border="0"> <thead> <tr> <th><u>Particulars</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>Returned to BTr on 4/5/17 as per OR No. 2545335</td> <td>P22,094,598.98</td> </tr> <tr> <td>For return to BTr</td> <td>20,477,412.32</td> </tr> <tr> <td>Under evaluation – awaiting needed documents</td> <td>34,264,565.79</td> </tr> <tr> <td>Released</td> <td>762,000.00</td> </tr> <tr> <td>For</td> <td>1,685,370.38</td> </tr> </tbody> </table>	<u>Check No.</u>	<u>Amount</u>	47186438 P	561,365.07	47186551	22,094,598.98		P22,655,964.05	<u>Particulars</u>	<u>Amount</u>	Returned to BTr on 4/5/17 as per OR No. 2545335	P22,094,598.98	For return to BTr	20,477,412.32	Under evaluation – awaiting needed documents	34,264,565.79	Released	762,000.00	For	1,685,370.38	<p>a. Partially Implemented</p>
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	returned to BTr.		realignment On hold <span style="float: right;">2,772,044.20 <u>P82,055,991.67</u></span>															
AAR 2016 B AOR-4 Page 124	DAP Funds released for Rural Electrification under the 2011 OPAPP/TISP, OVLP/LGSF and 2012 SEP Funds totaling P194.544 million remain unliquidated as of December 31, 2016 in violation of Item No. 2 of COA Circular No. 2012-001 and Sections 3 and 4 of the MOA between NEA and ECs. Likewise, 97 ECs with substantial amount of unutilized/unexpended balances have not returned nor requested realignment of sitios allied to the projects.	a. Require the ECs to immediately liquidate the subsidy receipts to facilitate the closing of the books. And for ECs with substantial amount of unexpended balances, expedite the request for realignment to other sitios, otherwise, return the unutilized balance to facilitate the closing of the books of both ECs and NEA.	As of December 31, 2017, the amount of P194.544 million is accounted as follows:  <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Particulars</u></th> <th style="text-align: right;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>Liquidated</td> <td style="text-align: right;">40.945</td> </tr> <tr> <td>Realigned</td> <td style="text-align: right;">0.525</td> </tr> <tr> <td>Returned</td> <td style="text-align: right;">8.284</td> </tr> <tr> <td>For Liquidation</td> <td style="text-align: right;">6.387</td> </tr> <tr> <td>On-going projects</td> <td style="text-align: right;">138.403</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b><u>P194.544</u></b></td> </tr> </tbody> </table>	<u>Particulars</u>	<u>Amount</u>	Liquidated	40.945	Realigned	0.525	Returned	8.284	For Liquidation	6.387	On-going projects	138.403	<b>Total</b>	<b><u>P194.544</u></b>	a. Partially Implemented
<u>Particulars</u>	<u>Amount</u>																	
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On-going projects	138.403																	
<b>Total</b>	<b><u>P194.544</u></b>																	
AAR 2016 B AOR-5 Page 127	The accuracy of subsidiary ledger (SL) balances as of December 31, 2016 amounting to P35.809 million cannot be ascertained due to erroneous recording of released DAP to some ECs under SEP Batch 2 and OPAPP-TISP funds totaling P35.809 million.	a. Effect immediately the necessary accounting / adjusting entries to reflect the correct balance of Accounts 139-006 (BASELCO AND CASELCO) and 139-007 (CASURECO, ILECO I, NOCECO AND ASELCO).	NEA prepared adjusting entries to correct the balances.	a. Fully Implemented														
AAR 2016 B AOR-6 Page 127	EC's inclusion of Input Value Added Tax (VAT) in the presentation of subsidy Accounting of Funds amounting to P145.688 million pursuant to NEA Memorandum No. 2015-036 resulted in	a. Require the aforementioned 14 ECs and other ECs that have not been audited yet to return to NEA the input VAT and any Input VAT charged to the liquidated subsidy funds as indicated in the AOF	NEA required the fourteen (14) ECs in our letters dated May 17, 2017 to remit to BIR the amount of Input VAT deducted from Output VAT and submit proof of remittance.	a. Partially Implemented  Reiterated in Part II C AOR-24.														



<b>Ref.</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Action Taken by Management</b>	<b>Auditor's Validation</b>
	the overstatement of the charges made in the Accounting of Funds and reduced the government revenue as ECs VAT remittance to the Bureau of Internal Revenue (BIR) included the subsidy funded Input VAT.	upon the effectivity of the NEA Memorandum No. 2015-36, furnishing COA Office of the Official Receipts on the remittance; and  b. Revisit NEA-Memorandum No. 2015-36 and consider revising the provisions to exclude Input VAT in the Accounting of Subsidy Fund so that proper Input VAT will be remitted to the BIR.	The Association of Finance Managers already forwarded the Position Paper to PHILRECA and NAGMEG for consideration (attached).	b. Partially Implemented  Reiterated in Part II C AOR-24.
AAR 2016 B AOR-7 Page 130	Unexpended balance amounting to P77.668 million for 61 projects implemented by 10 ECs under SEP/BLEP were not refunded/ remitted to NEA, contrary to Section 7 of the MOA between NEA and ECs, NEA Memorandum No. 2013-022 and Section 4.5.6 of COA Circular No. 2007-001.  Likewise, unexpended balance of P52.948 million corresponding to releases covering CYs 2014 – 2015 remained in the custody of the ECs.	a. Require the ECs for the full return/refund or request for realignment from NEA of the unexpended balances for the 10 ECs audited in CY 2016 from their subsidy receipts amounting to 77.668 million and the remaining balance from the 16 ECs audited in CY 2014 - 2015 totaling P52.948 million;  b. Ensure that the unexpended balances accruing to the fund are requested for realignment for activities allied to the project, within one month after final inspection of NEA, otherwise, require refund thereof; and  c. Require the concerned Department to monitor on the timely return of the unexpended balance based on the AF submitted by EC to the concerned personnel of ASD.	As of December 31, 2017, the unexpended balances are as follows:  Table 1 – From P32,505,529.60 to 2,954,274.05  Table 2 - From P45,162,193.90 to 2,451,451.97  Table 3 - From P52,947,977.29 to 7,316,025.77  NEA ensures that the unexpended balances accruing to the funds are requested for realignment for activities allied to the project.  The four (4) Compliance Officers are monitoring the timely return of unexpended balance based on AOF submitted by the EC.	a. Partially Implemented  Reiterated in Part II C AOR-25.  b. Partially Implemented  c. Partially Implemented  Reiterated in Part II C AOR-25.

<b>Ref.</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Action Taken by Management</b>	<b>Auditor's Validation</b>
AAR 2016 B AOR-8 Page 135	<p>Disbursements reported in the Accounting of Fund in CELCO totalling P18.096 million under YRRP were not supported with proper documentation to substantiate the charges made for materials, labor and overhead.</p> <p>Also, the amount of P4.5 million was utilized for the purchase of vehicles and construction of building which was not allowed under the NEA Guidelines on YRRP Implementation and Release of Funds to ECs.</p>	<p>a.Ensure compliance of ECs on the submission of supporting documents required under NEA Memorandum dated February 20, 2014 to support charges made for materials, labor and overhead;</p> <p>b.Refrain from charging to the YRRP funds expenses that are not within the coverage of the YRRP Memorandum Guidelines, otherwise, charge these expenses to CELCOs General Fund; and</p> <p>c.Require the EC to return immediately to NEA the amount of P4.5 million used in the purchase of vehicles and construction of a new building, etc. as these are not valid expenses pursuant to Section 7 of the MOA.</p>	<p>CELCO submitted the required original documents for YRRP to support the disbursements on June 16, 2017, as follows:</p> <p>a. AOF b. Additional overhead Expenses of YRRP c. Materials d. Repairs of Vehicles</p> <p>Submitted to COA CELCO's Board Resolution No. 25, Series of 2017 requesting to convert to calamity loan the P4,872,919.88 due to disallowance by COA and JEV No. 2017-06-4269 dated June 30, 2017 reverting back to CELCO's Calamity Loan.</p>	<p>a.Fully Implemented</p> <p>b.Partially Implemented</p> <p>c.Fully Implemented</p>
AAR 2016 B AOR-9 Page 139	<p>Unexpended / unutilized YRRP subsidy fund in LEYECO IV totalling P1.986 million was not returned/remitted to NEA as required under Section 7 of the MOA. Likewise, disbursements totalling P5.094 million were found improperly charged against YRRP Fund consisting of:</p>	<p>Require LEYECO IV to implement the following courses of action:</p> <p>a.Return / refund to NEA the unexpended / unutilized balance of the subsidy received amounting to P1.986 million in accordance with Section 7 of the MOA;</p>	<p>LEYECO IV submitted the following original documents required by COA, for reconsideration of suspended disbursement as follows:</p> <p>1. YRRP Vehicle Rental Trip Tickets: a. Main Office-Trip</p>	<p>a.Partially Implemented</p>

<b>Ref.</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Action Taken by Management</b>	<b>Auditor's Validation</b>
	<p>Materials purchased totally charged against the subsidy fund instead of the actual materials utilized per MCTs;</p> <p>Labor expenses charged against the YRRP fund beyond completion date;</p> <p>Transportation/fuel charged against the YRRP beyond the completion date or in areas not covered by the YRRP; and</p> <p>Lacking/ unsubmitted disbursement documents.</p> <p>Further, deficiencies were noted on Materials Charge Tickets (MCTs), As Built Staking Sheets, Bill of Materials and Fuel Stock Requisition and Issuance Slip.</p>	<p>b. Charge only actual materials utilized per MCTs and not the total materials purchased;</p> <p>c. Refrain from charging expenses not related to the project;</p> <p>d. Ensure compliance on the submission of documentary requirements under NEA Memorandum Nos. 2013-022 and 2013-023;</p> <p>e. Review thoroughly the Accounting of Funds to ensure accuracy/correctness of the report submitted; and</p> <p>f. Ensure that MCTs and Staking Sheets are properly filled out and signed by the approving/ authorized officials.</p>	<p>Ticket Nos.0001-1260</p> <p>b. Sub-Office-Trip Ticket Nos. SO-0001-0484</p> <p>2. YRRP – Original documents for COA letter dated June 10, 2016 amounting to P1,125,791.91.</p> <p>EC complied based on the submitted documents.</p> <p>EC complied based on the submitted documents.</p> <p>EC complied based on the submitted documents.</p> <p>EC complied based on the submitted documents.</p> <p>EC complied based on the submitted documents.</p> <p>EC complied based on the submitted documents.</p>	<p>b. Fully Implemented</p> <p>c. Partially Implemented</p> <p>d. Fully Implemented</p> <p>e. Partially Implemented</p> <p>f. Partially Implemented</p>
<p>AAR 2016 B AOR-10 Page 143</p>	<p>Unexpended/ unutilized balance and interest earned from deposits of PKKV subsidy fund returned by 15 electric cooperatives amounting to P0.836 million and P0.726 million, respectively, or a total of P1.562 million were not</p>	<p>a. Return to DSWD the remitted unexpended fund and interest earned from deposit by the concerned ECs amounting to P836,500.00 and P725,811.19, respectively;</p> <p>b. Require the 12 ECs to liquidate immediately</p>	<p>Complied. (Official Receipt No. 2545244, 3/15/17, P959,909.50)</p> <p>Liquidated / collected a total of P55,000.00</p>	<p>a. Fully Implemented</p> <p>b. Partially Implemented</p>

<b>Ref.</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Action Taken by Management</b>	<b>Auditor's Validation</b>
	<p>returned/remitted by NEA to DSWD in violation of Section 65 of P.D. No. 1445, Executive Order No. 338 and COA Circular No. 94-013.</p> <p>Likewise, cumulative balance amounting to P134,500 remain unliquidated by ECs as of December 31, 2016 contrary to the Memorandum of Agreement (MOA) between DSWD and NEA and Sections 6 and 7 of NEA Memorandum No. 2008-18.</p>	<p>the PKKV fund balances totalling P134,500.00 and refund to DSWD unexpended amount, if there is any;</p> <p>c. Close the PKKV fund account after liquidation have been made by the concerned ECs to reflect the correct balances of Due from NGOs/POs and Other Accounts Payable; and</p> <p>d. Furnish the COA Office of the official receipts for any remitted amounts.</p>	<p>leaving a balance of P79,500.00 as of December 31, 2017.</p> <p>For compliance.</p> <p>Complied</p>	<p>Reiterated in Part II B AOR-20.</p> <p>c. Partially Implemented</p> <p>Reiterated in Part II B AOR-20.</p> <p>d. Fully Implemented</p>
<p>AAR 2016 B AOR-11 Page 146</p>	<p>The required posting of Performance Security on the subsidy fund released to the Electric Cooperatives (ECs) remain unenforced, thus, posing risk of non-compliance with project implementation within the prescribed completion date and not in conformity with COA Circular No. 2007-001.</p>	<p>a. Enforce the ECs to post performance security to guarantee completion of projects funded out of government subsidy within 90 days as required under Section 4.5.7 of COA Circular No. 2007-001; and</p> <p>b. Include a provision in the MOA between NEA and ECs requiring the mandatory posting of performance security by the latter and no</p>	<p>NEA consulted the ECs on the posting of Performance Security (PS) and they proposed to include the cost of premium in the total project cost.</p> <p>Following are NEA's additional comments / justification as requested during the NEA-COA Exit Conference held last May 23, 2017 on the mandatory posting of Performance Bond:</p> <ol style="list-style-type: none"> <li>1. Additional Operating Expenses (OPEX).</li> <li>2. Effect on System Loss and Collection Efficiency.</li> <li>3. Cost of premium.</li> </ol> <p>NEA will include in the MOA's provision of SEP/BLEP, the posting of Performance Security once the proposal to include the</p>	<p>a. Not Implemented</p> <p>Reiterated in Part II B AOR-18.</p> <p>b. Not Implemented</p> <p>Reiterated in Part II B AOR-18.</p>

<b>Ref.</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Action Taken by Management</b>	<b>Auditor's Validation</b>
		release of subsidy should be made unless the performance security is presented to NEA.	cost of PS as part of project cost is approved.	
AAR 2016 B AOR-12 Page 149	Some provisions of the MOA between NEA and ECs on the release, utilization, accounting and liquidation of subsidy fund granted to ECs were not in accordance with the provisions of COA Circular No. 2007-001, thereby affecting the timeliness of liquidation, accounting, reporting, and monitoring of the implementation of electrification projects.	<p>a. Require the ECs to submit the Final Report of Accounting of Fund or Fund Utilization Report within 60 days as required for the timely recording of liquidations as basis for succeeding grant; settle the receivables; monitor completion of funded projects; and immediate reporting to decision makers and stakeholders; and</p> <p>b. Prepare MOA consistent/aligned with the provisions of COA Circular No. 2007-001 on the Revised guidelines in the granting, utilization, accounting and auditing of the funds released to Non-Governmental Organizations (NGOs) and People's Organizations (POs).</p>	<p>NEA is requesting that the 90 day period for the issuance of Certificate of Final Inspection and Acceptance (CFIA) be retained, due to the following reasons:</p> <ol style="list-style-type: none"> <li>1. Bulk of SEP/BLEP Projects.</li> <li>2. Geographical location of projects and effect of climate change.</li> <li>3. Inadequate number of ATEO engineers.</li> </ol> <p>We earnestly request to maintain the 90 day period from the conduct of CFIA to submit the final report due to the volume of projects still to be implemented to meet the deadline set by the President.</p> <p>NEA will maintain the 90 day period of submission of documents for liquidation due to bulk of documents to be submitted. One project has an average of 20 to 30 sitios.</p>	<p>a. Partially Implemented</p> <p>b. Partially Implemented</p>
AAR 2016 B AOR-13	Lack of monitoring in the compliance of internal policies and	a. Install monitoring controls in the liquidation of subsidy funded projects	AMGD conducted workshops in November and December 2016 and	a. Fully Implemented

<b>Ref.</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Action Taken by Management</b>	<b>Auditor's Validation</b>
Page 152	procedures in the processing of liquidation of subsidy funds resulted in unsupported documentation aggregating P6.616 billion or 55 percent of the P12.107 billion recorded liquidation for CY 2016.	<p>specifically in ensuring completeness of supporting documents being performed by the CO and the preparation of checklist of documents to support liquidation for transmittal to COA by the Clerk, CO, DvM and DpM;</p> <p>b. Submit immediately the lacking documents to support the liquidations made by the concerned ECs totaling P6.616 billion, to preclude issuance of Notice of Suspension.</p> <p>c. Ensure that the supporting documents are properly submitted and labelled with attached Summary or Schedule of Accounting of Funds</p>	<p>October 18 and 19, 2017 participated in by Work Order officers and Accountants from sixty (60) ECs for the preparation of checklist as required by COA. Starting October 2016, AMGD ensures that liquidation of subsidy already follows the required format of COA and properly documented.</p> <p>The revised Liquidation of Subsidy Funds Released to Electric Cooperatives (ECs) was already transmitted to COA, per AAPSI CY 2016, as of August 31, 2017. COA was informed to request for an official copy to Mr. Lino Vermudo of CORPLAN, ISO Central Document Controller, for this document cannot be reproduced without the permission of the QMR.</p> <p>Total Amount of Documents submitted to COA:</p> <p>CY 2016: P1,214,972,709.25  CY 2017: 4,281,057,716.15  On Jan. 2018: 55,386,041.93  <b><u>P5,551,416,467.33</u></b></p> <p>NEA is already complying with COA's required format of checklist.</p>	<p>b. Partially Implemented</p> <p>c. Fully Implemented</p>

Ref.	Observations	Recommendations	Action Taken by Management	Auditor's Validation
		<p>indicating the Project Description, Work Order and Type of <u>Original</u> Document such as but not limited to the following;</p> <p>i. For Materials - MCT No./Disbursement Voucher /Official Receipt, Date and Amount</p> <p>ii. For Labor - Payroll / CV No., Date and Amount;</p> <p>iii. For Overhead – such as gasoline - OR, Date and Amount; Duly signed Trip Tickets;</p> <p>d. Indicate the total amount of the attached schedule to match the reported utilization / disbursements or liquidated amount of subsidy funds.</p>		d. Partially Implemented
<p>AAR 2016 B AOR-14 Page 160</p>	<p>Procurement procedures conducted by the Bids and Awards Committee (BAC) of the ECs audited in CY 2016 for SEP and BLEP subsidy-funded projects were not in accordance with RA 9184 and its Revised Implementing Rules and Regulations (RIRR), to wit:</p> <p>Performance bond posted by contractors were not in accordance with Sections 39.1, 39.2 and 39.4 of the RIRR of RA 9184;</p>	<p>a. Require the ECs to make representation with the contractors to refund the excess mobilization fee if not yet covered by progress billings and/or require them to pay interest for the excess payment made at the prevailing rate of interest used by the bank;</p> <p>b. Require the ECs for the on-going projects to require their respective bidders to post the required performance security;</p>	<p>On May 11, 2015, NEA issued a Memorandum to all Electric Cooperatives reiterating the provision on the Memorandum of Agreement (MOA) regarding the procurement of Equipment of Materials which must be strictly in accordance with the IRR of RA 9184.</p> <p>The COA audit observations and recommendations on procurement were sent to the 13 ECs audited in 2016 and they committed to comply with RA 9184. Twelve ECs are already</p>	<p>a. Partially Implemented Reiterated in Part II B AOR-19.</p> <p>b. Partially Implemented Reiterated in Part II B AOR-19.</p>



<b>Ref.</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Action Taken by Management</b>	<b>Auditor's Validation</b>
	<p>Failure to enter into contract of procurement of goods with the suppliers contrary to Section 37.2.2 of the RIRR of RA 9184;</p> <p>Procurement of materials was awarded to the lowest bidding contractor/supplier on a per item basis in which partial bid was not explicitly stated or allowed in the Instruction to Bidders contrary to Section 32.2.1 of the RIRR of RA 9184 and Instruction to Bidders Clause 28.3 provided by the Government Procurement Policy Board (GPPB);</p> <p>Use of Shopping as a mode of procurement which is not in accordance with Section 52.1 of the RIRR of RA 9184;</p> <p>Advance payment for mobilization exceeded the required 15% per Section 4.1 of the RIRR of RA 9184;</p> <p>The bid price of the declared winning bidder exceeded the Approved Budget for Contract (ABC) contrary to Section 11.2 and 31.1 of the RIRR of RA 9184;</p> <p>The Net Financial Contracting Capacity</p>	<p>c. Require ECs to support disbursements with complete documentation and adhere to the requirement of RA 9184 as to the following:</p> <p>i. Abstract of Bids - ensure that bid price of qualified bidders is within or equal to the amount of ABC, otherwise, they should be outrightly disqualified;</p> <p>ii. Invitation to Bid – provide complete details as to schedule, deadline and timeframes;</p> <p>iii. BAC Resolution – this document must be dated to establish the accuracy of date of issuance of Notice of Award;</p> <p>iv. Notice to Proceed – should be issued within three calendar days from the date of approval of the contract and within two calendar days for infrastructure project with ABC of P50 million;</p> <p>v. Contract – must be signed within the</p>	<p>complying with RA 9184 of which two of them returned the interest earned for excess mobilization fee.</p>	<p>c. Partially Implemented</p>

<b>Ref.</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Action Taken by Management</b>	<b>Auditor's Validation</b>
	<p>(NFCC) computation by the winning bidder was not sufficient as required in Section 23.5.2.6 of the RIRR of RA 9184; and</p> <p>Deficiencies in ECs compliance with the bidding process as well as its documentation.</p>	<p>prescribed timeline;</p> <p>d. Require the ECs to ensure that bidders who do not meet the required Net Financial Contracting Capacity are not allowed to participate;</p> <p>e. Require the ECs to ensure compliance of bidders to Eligibility Requirements set forth in RA 9184 to hinder unqualified/incapacitated contractors from implementing government projects; and</p> <p>f. Require attendance of the BAC members or EC officials to a lecture or seminar on R.A. 9184.</p>	<p>Also, NEA through GPPB conducted seminar on the Revised Implementing Rules of RA 9184 which attended by some members of the EC's Bids and Awards Committee (EC-BAC). NEA will continue the conduct of this seminar.</p> <p>A Memorandum to NETI dated August 14, 2017 (already transmitted to COA per AAPSI CY 2016, as of August 31, 2017) was prepared requesting for the conduct of In-House Training/Seminar on Customized RA 9184 for Infrastructure Projects of ECs to be held in December 2017. Target participants re EC's BAC Chairman and members. As per update from NETI as of September 22,</p>	<p>d. Partially Implemented</p> <p>e. Partially Implemented</p> <p>f. Fully Implemented</p>

<b>Ref.</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Action Taken by Management</b>	<b>Auditor's Validation</b>
			2017, the first In-House Training/ Seminar is tentatively scheduled on November 28-29, 2017 and the second one will be held in the month of December 2017, subject to confirmation with COA Main. As of to date, COA Main has not yet confirmed yet as to its availability for the conduct of the said training/seminar.	
AAR 2016 B AOR-15 Page 170	Deficiencies / deviations were noted in the implementation of some subsidy funded projects for Yolanda Recovery and Rehabilitation Program (YRRP) / Sitio Electrification Program (SEP) between the "As Built" staking sheet, Bill of Materials (BOM) against the actual inspection.	<p>a. Require the ECs (BANELCO and LEYECO III) to submit reconciled reports to NEA signed and certified by the concerned officials including the Brgy. Chairman of the respective places;</p> <p>b. Require LEYECO III to submit explanation/justification on the variances noted between the As Built Staking Sheet and actual inspection, as well as variances between As Built Staking sheet and Bill of Materials;</p> <p>c. Require LEYECO III to revert the cost of 39 units of transformers installed to private establishments charged against the YRRP fund and charge the same to ECs</p>	<p>BANELCO submitted to NEA Board Resolution No. 98-A requesting NEA for another review and reconsideration of the 340 Material Charge Tickets amounting to P2,068,089.94 representing the materials withdrawn on and beyond the supposed completion date.</p> <p>Our basis in the conduct of final inspection and acceptance of projects is the EC's Certificate of Project Completion. Once the certificate was issued by the EC, it is understood that the projects were actually completed. Thus, NEA denied the request. (copy attached.)</p> <p>LEYECO III submitted to COA justifications on the Audit Observation.</p>	<p>a. Partially Implemented</p> <p>b. Partially Implemented</p> <p>c. Partially Implemented</p>

<b>Ref.</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Action Taken by Management</b>	<b>Auditor's Validation</b>
		General Fund; and  d. Require SOCOTECO II to submit justification to support the deviations observed on the projects.	As per coordination with SOCOTECO II, the required document was already submitted to COA.	d. Fully Implemented
<b>GENDER AND DEVELOPMENT (GAD)</b>				
AAR 2016 C AOR-1 Page 176	The GAD allocation of P7.732 million for CY 2016 representing 0.11 percent was way below the 5.0 percent required in the General Appropriations Act (GAA). Likewise, the utilization of GAD funds had not been optimized since programs, projects and activities presented in the GAD Plan were not fully implemented. Further, Annual GAD Plan and Budget was not yet endorsed by the Philippine Commission on Women (PCW).	a. Provide substantial and reasonable GAD budget as required by law to effectively carryout GAD activities that address gender related issues and achieve GAD's mandate in NEA;  b. Refrain from including programs that are not GAD related in the Accomplishment Report. Implement activities in accordance with the budgeted plan; and  c. Revisit or improve the planning and implementation of NEA's GAD activities to achieve the desired goals and objectives.	The NEA GAD PLAN and Budget for CY 2018 was resubmitted to PCW on October 23, 2017 for their comments and approval. As of December 31, 2017, the submitted NEA GAD.	a. Not Implemented  NEA GAD plan and budget for CY 2017 did not reached the required at least five percent of the total appropriation.  b. Fully Implemented  The CY 2017 Annual GAD Plan and Budget was endorsed by PCW.  c. Not Implemented  There is still unutilized fund in CY 2017 GAD Plan and Budget.