

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 100 audit recommendations issued last year, 48 were implemented, 35 were partially implemented and 17 were not implemented, as discussed in the table below.

For partially implemented 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 is required to accomplish and submit within 60 days from receipt of this Report.

Ref.	Audit Observations	Recommendations	Status/Action Taken
AAR 2017 A AOR No. 1 page 34	The accuracy and reliability of the year-end balance of Loans Receivable amounting to P10.472 billion (current and long-term) is doubtful as the results of confirmation from Electric Cooperatives (ECs) disclosed material net overstatement variance amounting to P136.570 million, attributed mainly to exclusion of loans, capitalized interest, unpaid amortization and excess payments in the EC confirmation. Likewise, inclusion of interest/surcharge and advance payment for interest in the EC confirmation and payments not posted in NEA's books as of audit date renders the balance of loans receivable per NEA books overstated.	a. Analyze and identify all possible causes of variances between book balance and ECs confirmed balances;	Implemented
		b. Reconcile variances and upon acceptance by both parties, immediately make the necessary adjustments in the books and/or the ECs records to present the actual outstanding loan balance as of reporting date;	Implemented
		c. Conduct regular reconciliation of loans receivable with the ECs to thresh out differences in the accounts; and	Implemented
		d. Prepare journal entries to adjust the incorrect posting of payments in the subsidiary ledgers of ROMELCO, INEC, CANORECO, CASURECO II, NEECO II-Area 2 and NEECO II.	Implemented
AAR 2017 A AOR No. 2 page 36	The accuracy and reliability of the year-end balance of Accounts Payable and presentation and classification of Income Tax for the Year under Payables -	a. Reverse the entries made for the accruals of benefits without proper approval/authorization from governing bodies and without valid documentation to reflect	Implemented

Ref.	Audit Observations	Recommendations	Status/Action Taken
	<p>Unliquidated Obligations amounting to P49.917 million and P70.891 million, respectively, was doubtful and improper due to inadvertent accruals of benefits without approvals amounting to P13.153 million and inclusion of income tax payable to the BIR amounting to P70.891 million, thus, overstating the Expenses by P13.153 million, and Accounts Payable by the same amount. Likewise, Income Tax Payable under Unliquidated Obligations is overstated by P70.891 million and Payable to the BIR under Payables to Government Agencies is understated by P70.891 million.</p>	<p>the correct balance of the affected accounts;</p> <p>b. Present and classify Income Tax for the Year from Payables - Unliquidated Obligations to Payables to Government Agencies – Due to BIR in accordance with COA Circular No. 2015-010; and</p> <p>c. Refrain from accruing expenses without valid documentation and proper approval / authorization from the governing bodies.</p>	<p>Implemented</p> <p>Implemented</p>
<p>AAR 2017 A AOR No. 3 page 37</p>	<p>Collections/Deposits amounting to P42.751 million were not recorded in NEA's books as of December 31, 2017 due to late recording of collections by the concerned Collecting Officers, thus, understating the Cash in Bank account by the same amount.</p> <p>Likewise, unclaimed/unreleased checks amounting to P93.545 million as of December 31, 2017 which includes stale checks totaling P14,620.00 were not reverted/adjusted in the books, thus, understating the Cash in Bank account.</p>	<p>a. Prepare adjusting entry to record the unrecorded deposits and unclaimed/stale checks amounting to P42,751,407.41 and P93,544,796.01 respectively, as of December 31, 2017 for proper valuation/presentation of cash in bank account in NEA's financial statements;</p> <p>b. Identify the P5.190 million collections for issuance of official receipts and posting in the corresponding subsidiary ledgers;</p>	<p>Implemented</p> <p>Implemented</p>

Ref.	Audit Observations	Recommendations	Status/Action Taken
		<p>c. Monitor collections regularly and ensure that all collections are recorded and official receipts are issued;</p> <p>d. Require Electric Cooperatives to submit thru fax or electronic mail scanned copy of deposit slips upon payment thru bank deposits for immediate identification, recording and issuance of official receipts; and</p> <p>e. Review the reconciling items in the bank reconciliation statements and examine items which have been outstanding for more than one month and prepare journal entries to adjust/correct the book balance.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>AAR 2017 A AOR No. 4 page 41</p>	<p>The year-end balance of account Due to Officers and Employees classified under current liabilities amounting to P91.748 million is unreliable due to erroneous recognition and classification of accruals of employees' terminal leave benefits which are not due for settlement within 12 months after the end of the period which is not in accordance with Philippine Public Sector Accounting Standards (PPSAS) 1 and COA Circular No. 2015-004.</p>	<p>a. Recognize/reclassify accruals of money value of earned leave credits to Leave Benefits Payable from Due to Officers and Employees and determine whether portion of money value of leave credits should be classified under Current Liabilities, otherwise, classify as Non-Current Liabilities; and</p> <p>b. Refrain from recognizing the accrual of money value of earned leave credits to account Due to Officers and Employees.</p>	<p>Implemented</p> <p>Partially Implemented</p>
<p>AAR 2017 A</p>	<p>Out of the total outstanding Miscellaneous</p>	<p>a. Exhaust all possible remedies to collect the receivables from the</p>	<p>Partially Implemented</p>

Ref.	Audit Observations	Recommendations	Status/Action Taken
AOR No. 5 page 44	Receivables amounting to P52.079 million (net) as of December 31, 2016, only P2.743 million or 5.27 percent were collected and the amount of P49.332 million remained unsettled and outstanding in the books for more than 10 years with remote possibility of collection.	<p>debtors and the employees who are no longer connected with NEA; and</p> <p>b. Expedite the evaluation and reconciliation of all overdue accounts to determine proper disposition and request authority to write-off, if warranted.</p>	<p>Reiterated in Part II AOR No. 3 page 45 of this Report.</p> <p>Not Implemented</p> <p>Ongoing gathering of documents to request for write-off.</p>
AAR 2017 A AOR No. 6 page 50	Receivables from Local Government Units, Non-Government Agencies (NGAs) and Private Franchise including interests/surcharges amounting to P17,591,749.55 and P17,455,247.40, respectively, totalling P35,046,996.95 remained unsettled as of audit date, thus, have become dormant for more than 20 years.	<p>a. Exhaust all possible remedies to collect the receivables from the debtors;</p> <p>b. Conduct regular and periodic verification, analysis and validation of the existence of the receivables;</p> <p>c. Reverse the journal entries made on the interest/surcharges written off totaling P962,654.17 and request for the approval of condonation of interest and surcharges; and</p> <p>d. Assess and evaluate the dormant receivables and request for write-off of accounts as prescribed in COA Circular No. 2016-005 dated December 19, 2016.</p>	<p>Partially Implemented</p> <p>Partially Implemented</p> <p>Partially Implemented</p> <p>Partially Implemented</p> <p>Reiterated in Part II AOR No. 4 page 48 of this Report.</p>
AAR 2017 A AOR No. 7 page 55	Payables account totaling P8.242 million which remained dormant for more than two years not reversed, contrary to Section 98 of Presidential Decree 1445.	a. Reverse the Payable accounts that have been dormant for more than two years amounting to P8,241,522.65 following the condition specified in Section 98 of PD 1445, Sec. 3.2 of COA Circular	Implemented

Ref.	Audit Observations	Recommendations	Status/Action Taken
	<p>Also, there was no separate monitoring ledger being maintained for accounts reversed/dropped amounting to P0.705 million.</p>	<p>99- 004, and DBM and COA Joint Circular No. 99-6;</p> <p>b. Maintain a monitoring ledger for any reversed/dropped accounts stating therein the specific condition on why it was reversed/dropped.</p>	<p>Implemented</p>
<p>AAR 2017 A AOR No. 8 page 57</p>	<p>The accuracy and reliability of account Inventory amounting to P6.132 million as of December 31, 2017 cannot be ascertained due to:</p> <p>a. Unreconciled discrepancies totaling P474,593.55 between balances per book and physical count of Supplies and Spare Parts Inventory;</p> <p>b. The balances of Merchandise Inventory per Stock Ledger Card maintained by the Accounting Division amounting to P 4,876,378.78 remain unreconciled.</p> <p>Likewise, no Allowance for Impairment Loss was provided for account Merchandise Inventory considering its non-existence.</p>	<p>a. Require the Accounting personnel and Supply Officer to reconcile, identify and trace the cause of discrepancies between RPCI and Stock Ledger Card and make corresponding adjustment in the books to reflect the correct balances of the accounts.</p> <p>b. Require the Accounting personnel to fast track the reconciliation of the account Merchandise Inventory and make necessary adjustment in the books to reflect the correct balance of the affected accounts.</p> <p>c. Require the Accountant to provide Allowance for Impairment Loss for the account Merchandise Inventory.</p>	<p>Implemented</p> <p>Not Implemented</p> <p>No reconciliation was made. Thus, it was reiterated in Part II AOR No. 6 (c) page 52 of this Report.</p> <p>Implemented</p>
<p>AAR 2017 A</p>	<p>The account Receivables – Disallowances/Charges with year-end balance amounting to P0.851 million remain unsettled</p>	<p>a. Enforce settlement of the disallowances to those accountable officers whose present location/address are</p>	<p>Partially Implemented</p>

Ref.	Audit Observations	Recommendations	Status/Action Taken
AOR No. 9 page 61	for more than 10 years as of audit date due to inadequacy of action taken by Management towards the settlement of disallowances.	<p>identified in accordance with the procedures under the Rules and Regulations on Settlement of Accounts (RRSA) prescribed under COA Circular No. 2009-006 dated September 15, 2009 and COA Circular No. 94-001 dated January 20, 1994;</p> <p>b. Determine other persons liable in lieu of the deceased accountable person and ascertain possibility of collection/settlement;</p> <p>c. For services contracted with ABS-CBN amounting to P328,850.00, submit certification that services were indeed rendered and such services did not result to any loss of government funds or property; and</p> <p>d. Submit proof of exhaustion of all possible remedies to settle the disallowance from persons liable that could not be located anymore.</p>	<p>Implemented</p> <p>Not Implemented Management informed that they are still looking for documents and they will provide COA the certification once document is available.</p> <p>Partially Implemented</p>
AAR 2017 A AOR No. 10 page 63	Unreconciled balance of account Cash-Regional Centers (for recon) amounting to P198,298.52 which has been existing since 2005 is not yet reconciled/adjusted which casts doubt on the existence of the balance as at year-end.	<p>a. Expedite 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>	<p>Not Implemented</p> <p>Reiterated in Part II AOR No. 12 page 70 of this Report.</p> <p>Implemented</p>

Ref.	Audit Observations	Recommendations	Status/Action Taken
		EO No. 24 dated February 10, 2011.	
AAR 2017 A AOR No. 15 page 78	<p>Procurement procedures conducted by the NEA Bids and Awards Committee (BAC) were not in accordance with RA 9184 and its Revised Implementing Rules and Regulations (RIRR), to wit:</p> <p>a. Observers from duly organized private group and non-government organization were not invited to sit during the procurement stage/activity contrary to Section 13 of RIRR of RA 9184.</p> <p>b. Procurement contract was not awarded in favor of the supplier with the lowest calculated and responsive quotation.</p> <p>c. Preparation of Procurement Monitoring Report (PMR) was not in accordance with the form prescribed by the Government Procurement Policy Board (GPPB) pursuant to Section 12.2 of IRR of RA 9184.</p>	<p>a. Require the BAC to invite at least two (2) observers from a duly recognized private group and NGOs in every stages of procurement activity to enhance the transparency of procurement process.</p> <p>b. Require the BAC to ensure that the most advantageous price for the Government contract should be obtained. Likewise, submit justification for not awarding the contracts in favour of the supplier with the Lowest Calculated and Responsive Quotation.</p> <p>c. Require the BAC to prepare PMR in the form prescribed by GPPB with the approval of the Administrator.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
AAR 2017 A AOR No. 16 page 83	Grant of monthly communication allowance in the form of postpaid plan subscription to the NEA Board of Administrators (BOAs) is	a. Submit justification on the grant of communication allowance to the BOAs in the form of mobile postpaid plan subscription which is contrary to	Implemented

Ref.	Audit Observations	Recommendations	Status/Action Taken
	<p>contrary to Section 12 of Executive Order (EO) No. 24 dated February 10, 2011. Also, Charges in excess of monthly plan subscriptions were paid by NEA instead of the end-user, which is contrary to NEA guidelines for amended mobile phone plan for the NEA assembly of leaders and Board of Administrators.</p> <p>Further, procurement of cellular phone in replacement of lost unit is in contravention to NEA internal policy on property accountability for the loss of issued mobile phone.</p>	<p>Section 12 of EO No. 24 dated February 10, 2011;</p> <p>b. Require the three end-users to refund the excess amount paid by NEA for the broadband subscription amounting to P2,000.00; and</p> <p>c. Require Mr. Maddatu to return the amount paid by NEA for the procurement of cellular phone costing P9,990.00 to preclude from issuance of Notice of Disallowance.</p>	<p>Implemented</p> <p>Implemented</p>
<p>AAR 2017 A AOR No. 17 page 87</p>	<p>Duplicate copy of Transfer Certificate of Titles (TCTs) surrendered to NEA as collateral for loans granted to various Electric Cooperatives (EC) were not annotated and registered with the Registry of Deeds (RD). Likewise, mortgaged TCTs were not original copies.</p>	<p>a. Cause the Account Management and Guarantee Division (AMGD) to immediately register the mortgaged duplicate copy of TCTs to the Registry of Deeds for annotation pursuant to Sections 54, and 61 of PD No. 1529 to protect the rights of NEA;</p> <p>b. Require the ECs to submit/surrender to NEA all duplicate copy of TCTs for safekeeping until such loans are fully paid pursuant to NEA Loan Policy No. 29 and the Affidavit executed.</p>	<p>Implemented</p> <p>Partially Implemented</p> <p>Out of 136 TCTs, the remaining for submission is only 16 as of April 2019.</p>
<p>AAR 2017 A AOR No. 21</p>	<p>Land acquired in 1990 measuring 25,000 square meters or 2.5 hectares with acquisition cost of P9.5 million has not been</p>	<p>a. Submit action plan on how to address the land under court litigation; and</p>	<p>Not Implemented</p> <p>Reiterated in Part II AOR No. 9 page 64 of this Report.</p>

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page 112	<p>utilized and developed since acquisition as it is under court litigation pending with the Supreme Court and now fully occupied with residential and establishment structures.</p> <p>Likewise, the presentation and classification of idle and foreclosed lands under Property, Plant and Equipment in the Financial Statements is not in conformity with PPSAS 17.</p>	<p>b. Reclassify idle and foreclosed lands to Other Assets pursuant to PPSAS 17 and COA Circular No. 2015-010.</p>	<p>Not Implemented</p> <p>Reiterated in Part II AOR No. 9 page 64 of this Report.</p>															
AAR 2017 A AOR No. 22 page 114	<p>The custodian of properties was not covered by Fidelity Bond which is not in accordance with Section 4.1 of Treasury Circular No. 02-2009 and Section 101 of Presidential Decree (PD) 1445.</p>	<p>Apply for the Property Officer's Fidelity Bond with the Bureau of the Treasury covering his property accountability as required under Section 4.1 of Treasury Circular No. 02-2009 and Section 101 of PD 1445.</p>	<p>Implemented</p>															
AAR 2017 AOR No. 11 page 65	<p>Return of unexpended subsidies of Sitio Electrification Program/Priority Development Assistance Fund (SEP/PDAF) and Pantawid Kuryente: Katang VAT (PKKV) funds and interest earned from bank deposits of subsidy receipts amounting to P3.003 million and P4.152 million, respectively, or a total of P7.156 million, were recorded in NEA's books as Miscellaneous Income and deposited to Corporate fund. As a result, accounts Retained Earnings and Cash in Bank – Administrative</p>	<p>a. Prepare accounting adjustments on the erroneous recording of EC's remittance of unexpended SEP/PDAF and PKKV funds and interest earned from EC's bank deposits to Miscellaneous Income and deposit to NEA's Corporate fund as follows:</p> <table border="1" data-bbox="805 1591 1170 1900"> <thead> <tr> <th>Particular</th> <th>Dr.</th> <th>Cr.</th> </tr> </thead> <tbody> <tr> <td>Cash in Bank – LBP - BE Fund or RE Construction Fund and Restricted Fund for PKKV</td> <td>6,263,860.27</td> <td></td> </tr> <tr> <td>Retained Earnings</td> <td>7,156,153.59</td> <td></td> </tr> <tr> <td>Cash in Bank – Administrative Fund</td> <td></td> <td>6,263,860.27</td> </tr> <tr> <td>Other Payables</td> <td></td> <td>7,156,153.59</td> </tr> </tbody> </table>	Particular	Dr.	Cr.	Cash in Bank – LBP - BE Fund or RE Construction Fund and Restricted Fund for PKKV	6,263,860.27		Retained Earnings	7,156,153.59		Cash in Bank – Administrative Fund		6,263,860.27	Other Payables		7,156,153.59	<p>Not Implemented</p> <p>Management claimed that they have complied, however, no document was provided to show that entry was made to adjust the affected accounts.</p>
Particular	Dr.	Cr.																
Cash in Bank – LBP - BE Fund or RE Construction Fund and Restricted Fund for PKKV	6,263,860.27																	
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	<p>Fund are overstated by P7,156,153.59 and P6,263,860.27, respectively and Other Payables, Cash in Bank – Subsidy Fund accounts are understated by P7.156 million and P6.264 million, respectively.</p>	<p>b. Remit the interest earned and unexpended balance for SEP/PDAF and PKKV fund amounting to P3,468,089.04 and P3,599,957.65, respectively, or a total of P7,068,046.69, to BTr and DSWD pursuant to Section 65 of the P.D. 1445 and MOA between DSWD and NEA; and</p> <p>c. Henceforth, deposit remittance from EC's to the corresponding Subsidy Fund account, for proper monitoring of the subsidy account.</p>	<p>Partially Implemented</p> <p>NEA refunded/remitted thru BTr the amount of P490,966.50 with OR No. 2548983 dated November 13, 2018.</p> <p>Not Implemented</p> <p>Management claimed that the deposits amounting to P848,109.62 were transferred to subsidy account, however, no documentation was provided to prove the transfer.</p>
<p>AAR 2017 AOR No. 18 page 90</p>	<p>The required posting of Performance Security on the subsidy fund released to the Electric Cooperatives (EC's) 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. Seek approval from the Department of Budget and Management (DBM) citing the above mentioned justifications, otherwise, 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>Partially Implemented</p> <p>NEA sent a letter to DBM seeking opinion on the request for additional funding. To date, no reply was received from DBM.</p> <p>Also, NEA requested the COA for its exemption from the coverage of Section 4.5.7 of COA Circular No. 2007-001.</p> <p>However, no approval for</p>

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		<p>b. Include a provision in the MOA between NEA and ECs requiring the mandatory posting of performance security by the latter and no release of subsidy should be made unless the performance security is presented to NEA.</p>	<p>exemption was given by COA.</p> <p>As of even date, NEA will inquire on the rate and computation of the performance security with GSIS and other insurance companies.</p> <p>Not Implemented</p> <p>NEA will include in the MOA a provision for the posting of Performance Security.</p>
<p>AAR 2017 AOR No. 19 page 94</p>	<p>Procurement procedures conducted by the BAC on the ECs audited in CY 2017 for SEP and BLEP subsidy funded projects were not in accordance with RA 9184 and its RIRR, to wit:</p> <p>a. Payment of mobilization fee paid to the Contractor exceeded the allowable 15 percent as prescribed under Section No. 4.1 on Contract Implementation Guidelines for the Procurement of Infrastructure Projects of the RIRR of RA 9184;</p> <p>b. Non-posting and/or posting below the</p>	<p>a. Limit the mobilization fee payment to Contractors at 15 percent of the contract price;</p> <p>b. 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 down payment made at the prevailing rate of interest used by the bank;</p> <p>c. For the on-going and future projects, require the respective winning bidders in every contract to post the required performance security bond as safeguard to future default and</p>	<p>Partially Implemented</p> <p>Partially Implemented</p> <p>Partially Implemented</p>

Ref.	Audit Observations	Recommendations	Status/Action Taken
	<p>required amount of performance security bond by the Contractors was not in accordance with Sections 37.2.1, 39.1, 39.2 and 39.4 of the RIRR of RA 9184;</p> <p>c. The contract price exceeded the NEA approved cost or approved budget cost (ABC) contrary to the provisions of Section 31.1 of the RIRR of RA 9184 and Section 3 of the MOA between NEA and ECs;</p> <p>d. CEBECO I and ILECO III contracts for supply of materials and labor under 2015 SEP were awarded to the bidder with higher bid price which is not in accordance with Section 37.1.1 of RIRR of RA 9184;</p> <p>e. The Net Financial Contracting Capacity (NFCC) in CENECO was not considered in the determination of prospective bidder's eligibility for the awarded contractors as required in Sections 23.4.2.6 and 25.2 of the RIRR of RA 9184;</p> <p>f. OMECO contracts under SEP/BLEP projects were not paid/issued with a Bid Security which is not</p>	<p>inevitable abandonment of project;</p> <p>d. Review the MOA and ensure that the amount indicated in the Construction Contract does not exceed the Approved Budget Cost of NEA/Approved Budget of Contract for the prospective projects and ensure that copy of NEA Approved Cost is attached in the MOA;</p> <p>e. Strictly observe the submission of computation of NFCC to Contract and other similar reports and ensure that only prospective bidders with complete documentary requirements to include the computation of NFCC that are eligible to bid;</p> <p>f. Invite at least two observers to witness the conduct of public bidding to enhance transparency in conformity with Sections 13.1 and 13.2(a) of RIRR of RA 9184;</p> <p>g. Require the BAC to follow proper procedures on the rebidding process in cases where there was a failed bidding;</p> <p>h. Ensure compliance of bidders to the following Eligibility Requirements set forth in RA 9184 to hinder</p>	<p>Partially Implemented</p> <p>Partially Implemented</p> <p>Partially Implemented</p> <p>Partially Implemented</p> <p>Partially Implemented</p>

Ref.	Audit Observations	Recommendations	Status/Action Taken
	<p>in accordance with Section 27 of RA 9184;</p> <p>g. No bidding was conducted for contracts awarded to contractor for the construction of distribution lines under 2011 to 2013 SEP which is not in accordance with Sections 3 of the MOA and No. 1 Policy Statement of Appendix 14 on Guidelines on Non-Governmental Organization Participation in Public Procurement of the RIRR of RA 9184;</p> <p>h. No observer was invited in the conduct of public bidding of the infrastructure projects which is not in accordance with Sections 13.1 of the RIRR of RA 9184;</p> <p>i. Deficiencies in the compliance with the bidding process as well as its documentation in SAMELCO I, NOCECO, CENECO, BILECO, MOELIC I, OMECO and CELCO;</p> <p>j. Laxity in the processing and awarding of contracts by the BAC resulted in lacking documentary requirements as</p>	<p>unqualified/incapacitated contractors from implementing government projects such as:</p> <ul style="list-style-type: none"> ➤ Philippine Contractors Accreditation Board (PCAB) licenses to ensure that the qualified and reliable contractors are allowed to undertake infrastructure projects and so as to participate in government public bidding; ➤ Preparation of Bidding Documents on the Form and Contents of Bidding Documents to specify the Form of Contract and General and Special Conditions of Contract prescribed by GPPB; ➤ Notice of Award (NoA)/Notice to Proceed (NtP)/signed Contract should be issued in accordance with RIRR of RA 9184; and ➤ Notarized Contract to ensure its legal enforceability in case of disputes and breach of 	

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	<p>required under RIRR of RA 9184; and</p> <p>k. Lack of training to enhance capability of BAC officers and concerned personnel in implementation of RA 9184 for the subsidy funded by the NG.</p>	<p>contract of the contracting party.</p> <p>i. Ensure to comply with the required documentary requirements pursuant to RIRR of RA 9184 for prospective projects; and</p> <p>j. Enhance the capability of BAC officers/staff of ECs by supervising/ providing capacity building on programs for RA 9184.</p>	<p>Partially Implemented</p> <p>NEA issued an Advisory dated May 9, 2018 to all ECs for the strict observance of the proper procedures for the procurement and contract implementation for subsidy funded projects.</p> <p>Implemented</p>
<p>AAR 2017 AOR No. 20 page 109</p>	<p>Unexpended/unutilized balance and interest earned from deposits of Pantawid Kuryente: Katas ng VAT (PKKV) funds already returned by ECs to NEA totaling P0.985 million which remain unremitted to Department of Social Welfare and Development (DSWD) is not in accordance with Section 4.9 of COA Circular No. 94-013 and Memorandum of Agreement (MOA) between NEA and DSWD. Also, cumulative balance amounting to P79,500.00 remained unliquidated by seven ECs as of December 31, 2017, which was not adherent to the</p>	<p>a. Return to DSWD the remitted unexpended/unutilized balance and interest earned from deposit by the concerned ECs totaling P985,001.12;</p> <p>b. Require the seven ECs to liquidate immediately the PKKV fund balances totaling P79,500.00 for remittance to DSWD;</p> <p>c. Close the PKKV fund account after liquidation have been made by all the concerned ECs to reflect</p>	<p>Implemented</p> <p>NEA refunded thru BTr the amount of P1,028,169.94 with OR No. 2547920 dated May 17, 2018.</p> <p>Partially Implemented</p> <p>Only two ECs have yet to liquidate/pay their unliquidated PKKV with a balance of P8,000.00 as of December 31, 2018.</p> <p>Not Implemented</p> <p>The closing of PKKV fund account</p>

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	provisions of Sections 6 and 7 of NEA Memorandum No. 2008-18.	<p>the correct balances of accounts Due from NGOs/POs and Other Payables; and</p> <p>d. Furnish the COA Office of the official receipts for any remitted amounts, for monitoring and reference purposes.</p>	<p>will be taken after liquidation has been made by all the concerned ECs.</p> <p>Implemented</p>
<p>AAR 2017 AOR No. 23 page 115</p>	<p>Subsidy releases for the Sitio Electrification Program (SEP), Barangay Line Enhancement Program (BLEP), Pantawid Kuryente: Katas ng VAT(PKKV), Transition Investment Support Plan – Autonomous Region for Muslim Mindanao (TISP-ARMM), Yolanda Recovery and Rehabilitation Plan (YRRP) and other calamity grants totaling P1.695 billion remained unliquidated as of December 31, 2017, which is not compliant with Section 4 of the MOA as agreed by NEA with various ECs.</p> <p>Also, the accuracy of the subsidy fund due for liquidation as reported in the Aging Schedule of Due from NGOs/POs as of December 31, 2017 cannot be ascertained due to improper aging of subsidy fund releases to various ECs.</p>	<p>a. Strictly comply with Section 4 of the MOA as agreed by NEA and ECs; and</p> <p>b. Require the concerned ECs to immediately liquidate the subsidy funded completed projects by submitting all the required liquidation documents such as AF with its supporting documents to validate the charges made to the subsidy fund; CFIA and such other documents to facilitate the closing of the books of both NEA and the EC's.</p>	<p>Partially Implemented</p> <p>Reiterated in Part II AOR No. 17 page 94 of this Report.</p> <p>Partially Implemented</p> <p>Reiterated in Part II AOR No. 17 page 94 of this Report.</p>
<p>AAR 2017 AOR</p>	<p>Electric Cooperatives' (ECs) inclusion of Input Value Added Tax (VAT)</p>	<p>Revisit NEA-Memorandum No. 2015-36 and consider revising the provisions to</p>	<p>Implemented</p>

Ref.	Audit Observations	Recommendations	Status/Action Taken
No. 24 page 121	in the presentation of the Accounting of Funds (AF) amounting to P50.735 million pursuant to NEA Memorandum No. 2015-036 resulted in the overstatement of the charges made to the subsidy and government revenue was reduced by the same amount as EC's VAT remittance to the Bureau of Internal Revenue (BIR) was lessened due to deduction of subsidized input tax from EC's output tax. Likewise, inclusion of Input tax in the project cost was not in accordance with Section 30 of the Philippine Public Sector Accounting Standards (PPSAS) 17 for Property, Plant and Equipment on costing of self-constructed assets.	exclude Input VAT in the Accounting of Subsidy Fund or alternatively, issue a Memorandum prohibiting ECs from offsetting the Input VAT SEP projects against Output VAT from ECs own operations so that proper Input VAT will be remitted to the government particularly the BIR.	NEA was seeking authoritative opinion in this matter from the BIR. Revision of the Memorandum will be considered once the issue is clarified.
AAR 2017 AOR No. 25 page 125	<p>The Accounting of Funds (AF) for liquidated subsidies under Sitio Electrification Program (SEP)/Barangay Line Enhancement Program (BLEP) with reported unexpended/unutilized balance totaling P29.289 million were not demanded by NEA for immediate return, hence not in conformity with Section 7 of the MOA, thereby deprived the government of funds to utilize for other projects.</p> <p>Likewise, expenses not related to the project/s or</p>	<p>a. Require the 10 ECs audited in CY 2017 to return/refund the unexpended balances amounting to P63.378 million;</p> <p>b. Direct the ECs that only related/allowed expenses are charged in the AF;</p>	<p>Partially Implemented</p> <p>Reiterated in Part II AOR No. 18 page 97 of this Report.</p> <p>Implemented</p> <p>NEA reminded the concerned ECs on the expenses that are not included in allowable charges under NEA Memorandum No. 2015-036 dated December 9, 2015.</p>

Ref.	Audit Observations	Recommendations	Status/Action Taken
	<p>without documentation were not considered, hence, the reported unexpended balance of P29.289 million per AF have increased to P63.378 million (net of amount already returned) and the same was not refunded/remitted to NEA contrary to Section 4.5.6 of COA Circular No. 2007-001 and NEA Memorandum No. 2013-023.</p> <p>Further, EC's with subsidy deficit totaling P44.980 million is to be covered with the release of the 10-30 percent remaining/retention balance but not to exceed the actual disbursement pursuant to Section 4 of the MOA.</p> <p>Moreover, unexpended balance amounting to P93.924 million for projects audited in CYs 2014 – 2016 remained in the possession of the ECs.</p>	<p>c. Require the concerned EC's to submit required documents for the release of the remaining balances amounting to P44.980 million but not to exceed the actual disbursements pursuant to Section 4 of the MOA;</p> <p>d. Require the EC's to submit the required documents to validate the charges made in the AF together with the supporting schedule of the previous and the revised AF, for verification and adjustment of the total unexpended balances, otherwise, return to NEA the total amount of P93.924 million;</p> <p>e. Monitor the timely return of the unexpended balance based on the AF submitted by EC on their liquidation; and</p> <p>f. Ensure that the submitted liquidation documents are tallied/verified with the reported amounts in the AF and the disbursements made was in accordance with the MOA to avoid rising of</p>	<p>Implemented</p> <p>The release of the remaining subsidy balances to the ECs are either already processed, on-going evaluation or awaiting for the submission of documents.</p> <p>Partially Implemented</p> <p>Reiterated in Part II AOR No. 18 page 97 of this Report.</p> <p>Not Implemented</p> <p>The unexpended balances of the ECs audited for CY 2018 were not immediately returned upon liquidation.</p> <p>Reiterated in Part II AOR No. 18 page 97 of this Report</p> <p>Partially Implemented</p> <p>NEA ensured compliance with AOR No. 18 page 97 of this Report.</p>

Ref.	Audit Observations	Recommendations	Status/Action Taken
		unexpended/unutilized fund.	
<p>AAR 2017 AOR No. 26 page 132</p>	<p>The accomplished 34,209 sitios under 2011-2016 Sitio Electrification Program (SEP) were not among the 32,441 sitios priority as identified in the Inventory as of December 31, 2016, which criteria were not strictly complied pursuant to NEA Memorandum No. 2011-021.</p> <p>Likewise, of the 8,268 sitios or 25.49 percent implemented from the 32,441 SEP priority, 708 sitios were not energized as of December 31, 2017, thus, depriving the intended prioritized beneficiaries of the electrification program that could uplift their social and economic living.</p> <p>Further, the total allocated cost of P18.47 billion for the 32,441 sitios was not reliable since only 7,403 were covered with allocated cost of P6.270 billion of which 24 sitios were duplicate amounting to P22.615 million.</p>	<p>a. Strictly comply with the criteria on selection and prioritization of SEP project and give priority to sitios/puroks that are specifically identified in the target list, so as not to deprive the beneficiaries of the electrification program that could uplift their social and economic living;</p> <p>b. Require ECs to energize the 708 sitios completed projects so as to maximize the benefits of the program and encourage prospective program beneficiaries to have their household energized</p> <p>c. Conduct immediate inspection of the 82 sitios completed subsidized funded projects which will serve as the basis of EC's</p>	<p>Partially Implemented</p> <p>NEA claimed that the implemented sitios complied with the criteria. Prioritization also took into consideration the compliance with the complete documentary requirements. The changes/replacement of sitios does not deplete or violate the purpose of the subsidy appropriation for SEP.</p> <p>Partially Implemented</p> <p>NEA requested ECs to energize all the completed projects. The non-energization of sitios is due mainly to the delayed compliance of the potential household consumers on several requirements and permit fees being charged by the LGUs and ECs.</p> <p>Partially Implemented</p>

Ref.	Audit Observations	Recommendations	Status/Action Taken																																	
		<p>liquidation and closed-out of books of both NEA and EC's; and</p> <p>d. A thorough review of the report is enjoined to ensure reliability of the information/data reported.</p>	<p>There are 68 sitios undergoing inspection.</p> <p>Not Implemented</p> <p>NEA will comply with the recommendation.</p>																																	
<p>AAR 2017 AOR No. 27 page 137</p>	<p>Liquidations and refunds/remittances by electric cooperative (ECs) amounting to P3.318 million were erroneously recorded in its proper accounts, resulting in understatement of accounts Due from NGOs/POs and Other Payables by P3.318 million and P3.372 million, respectively, and overstatement of Retained Earnings by P53,823.</p> <p>Likewise, adjustments made for over liquidations in CY 2014 to account Due from NGOs/POs amounting to P8.172 million cannot be validated due to absence of journal vouchers and its supporting documents.</p>	<p>a. Effect the following adjusting entries to reflect the correct balance of Due from NGOs/POs account and the corresponding affected accounts; and</p> <table border="1" data-bbox="803 863 1182 1182"> <thead> <tr> <th data-bbox="803 863 971 884">Particulars</th> <th data-bbox="971 863 1073 884">Dr.</th> <th data-bbox="1073 863 1182 884">Cr.</th> </tr> </thead> <tbody> <tr> <td data-bbox="803 884 971 936">1. On the re-fund of fully liquidated projects:</td> <td data-bbox="971 884 1073 936"></td> <td data-bbox="1073 884 1182 936"></td> </tr> <tr> <td data-bbox="803 936 971 978">Due from NGOs/POs</td> <td data-bbox="971 936 1073 978">986,028.18</td> <td data-bbox="1073 936 1182 978"></td> </tr> <tr> <td data-bbox="803 978 971 1020">Other Payables</td> <td data-bbox="971 978 1073 1020"></td> <td data-bbox="1073 978 1182 1020">986,028.18</td> </tr> <tr> <td data-bbox="803 1020 971 1104">2. On the return of not yet liquidated projects:</td> <td data-bbox="971 1020 1073 1104"></td> <td data-bbox="1073 1020 1182 1104"></td> </tr> <tr> <td data-bbox="803 1104 971 1146">Other Payables</td> <td data-bbox="971 1104 1073 1146">1,792,027.16</td> <td data-bbox="1073 1104 1182 1146"></td> </tr> <tr> <td data-bbox="803 1146 971 1188">Retained Earnings</td> <td data-bbox="971 1146 1073 1188">53,823.18</td> <td data-bbox="1073 1146 1182 1188"></td> </tr> <tr> <td data-bbox="803 1188 971 1230">Due from NGOs/PO</td> <td data-bbox="971 1188 1073 1230"></td> <td data-bbox="1073 1188 1182 1230">1,845,850.34</td> </tr> <tr> <td data-bbox="803 1230 971 1272">3. On adjustments due to over liquidation:</td> <td data-bbox="971 1230 1073 1272"></td> <td data-bbox="1073 1230 1182 1272"></td> </tr> <tr> <td data-bbox="803 1272 971 1314">Due from NGOs/POs</td> <td data-bbox="971 1272 1073 1314">4,177,794.63</td> <td data-bbox="1073 1272 1182 1314"></td> </tr> <tr> <td data-bbox="803 1314 971 1356">Other Payables</td> <td data-bbox="971 1314 1073 1356"></td> <td data-bbox="1073 1314 1182 1356">4,177,794.63</td> </tr> </tbody> </table> <p>b. Submit the 15 journal vouchers and its related supporting documents to COA Office, for validation of the adjustments made.</p>	Particulars	Dr.	Cr.	1. On the re-fund of fully liquidated projects:			Due from NGOs/POs	986,028.18		Other Payables		986,028.18	2. On the return of not yet liquidated projects:			Other Payables	1,792,027.16		Retained Earnings	53,823.18		Due from NGOs/PO		1,845,850.34	3. On adjustments due to over liquidation:			Due from NGOs/POs	4,177,794.63		Other Payables		4,177,794.63	<p>Implemented</p> <p>Adjusting entries were effected.</p> <p>Implemented</p> <p>15 journal vouchers were submitted.</p>
Particulars	Dr.	Cr.																																		
1. On the re-fund of fully liquidated projects:																																				
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<p>AAR 2017 AOR No. 28 page 143</p>	<p>NEA releases project cost subsidy beyond the P1 million threshold totaling P1.360 billion contrary to the provisions of NEA Memorandum Circular No. 3 and NEA Memorandum No. 2014-007, depriving other priority sitios/puroks that were included in the list of the SEP priority projects.</p>	<p>a. Observe the P1 million threshold project cost subsidy per sitio/purok to accommodate all the targeted sitios/puroks to be energized by the program;</p> <p>b. Submit explanation/justification for the approval made by the ATEO of the 2,224 sitios</p>	<p>Implemented</p> <p>Implemented</p> <p>In a Memorandum dated January 9,</p>																																	

Ref.	Audit Observations	Recommendations	Status/Action Taken
	<p>Likewise, out of the 2,224 sitios that exceeded the construction cost threshold of P1 million, 310 sitios from 30 ECs were unenergized as of December 31, 2017 totaling P502 million, which in effect delay or compromise the attainment of total electrification and deprived the intended beneficiaries of the maximum benefits that could be derived from the program.</p>	<p>that exceeded the construction cost threshold of P1 million;</p> <p>c. Conduct inspection of the four (4) completed projects implemented by KAELCO and NOCECO for the issuance of the CFIA and subsequent energization of the projects; and</p> <p>d. Determine the reason/s for not energizing the completed projects and enforce the immediate energization of the completed projects to fully attain the objectives of rural electrification and that the intended beneficiaries enjoy the maximum benefits that can be derived from the program.</p>	<p>2019, NEA provided reasons for not considering the threshold project cost. Moreover, NEA rescinded NEA Memorandum Circular No. 3 dated November 12, 2010 and NEA Memorandum No. 2014-007 dated February 18, 2014.</p> <p>Partially Implemented</p> <p>The project in NOCECO was already inspected per Certificate of Final Inspection and Acceptance while the project in KAELCO was scheduled for inspection.</p> <p>Partially Implemented</p> <p>Some ECs require at least five household connections to energize a sitio to minimize system loss.</p> <p>The potential consumers are unable to submit the required documentation and incapable of paying the permit fees being charged by the Local</p>

Ref.	Audit Observations	Recommendations	Status/Action Taken
			Government Unit (LGU). To address this concern, NEA proposed for a MOA between the Department of Energy (DOE) and Department of Interior and Local Government (DILG).
AAR 2017 AOR No. 29 page 148	<p>The implementation of the Housewiring Program was not effective due to deficiencies noted, depriving the privilege of the intended beneficiaries from the government that will help uplift their lives and not compliant with NEA Memorandum No. 2011-024, to wit:</p> <p>a. Seventy-five beneficiaries have no electrical connections in OMECO due to its imposed policy of metering standard pole connections costing P3,500 each;</p> <p>b. The housewiring materials issued by OMECO for the 97 household beneficiaries were not compliant with NEA Memorandum No. 2011-024, defeating the purpose of the program;</p> <p>c. Four electric cooperatives (ECs) failed to meet the</p>	<p>a. Require ECs to strictly observe the house wiring policy in compliance with NEA Memorandum No. 2011-024;</p> <p>b. Facilitate the implementation of the housewiring program to attain the objective of total electrification to help uplift the lives of the marginalized consumers;</p> <p>c. Require ECs to assist the households/beneficiaries in securing an affordable and hassle-free electricity connection;</p> <p>d. Encourage ECs to energize the potential households to ensure the effectiveness of the implementation of the electrification projects; and</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>NEA issued an Advisory on the implementation of SEP/BLEP projects dated June 21, 2018 enjoining the ECs to comply with the following:</p> <p>1. Accelerate the energization of the completed SEP/BLEP projects;</p>

Ref.	Audit Observations	Recommendations	Status/Action Taken
	<p>22,690 potential households or only 13,449 or 59 percent actually benefitted the program; and</p> <p>d. Ninety beneficiaries who were granted the housewiring materials of P2,500 per consumer or a total of P225,000 were not households or marginalized consumers.</p>	<p>e. Require ECs to request post facto approval from NEA for the free house wiring and installations granted to 90 non-residential consumers amounting to P225,000 and submit to COA Office</p>	<p>2. Facilitate the implementation of the housewiring program in compliance with NEA Memorandum No. 2011-024;</p> <p>3. Assists the potential household beneficiaries in securing requirements for electricity connection or an affordable repayment scheme based on the capacity of the consumers; and</p> <p>4. Provide support and assistance to the marginalized consumers through sustainable livelihood projects to capacitate them to pay the cost of electricity.</p> <p>Not Implemented</p> <p>NEA will require the concerned ECs to submit a request for post facto approval.</p>

Ref.	Audit Observations	Recommendations	Status/Action Taken
		the approved copy, for monitoring purposes, otherwise, return to NEA the total amount granted.	
AAR 2017 AOR No. 30 page 152	The status of project implementation of the approved realignment of funds of various electric cooperatives (ECs) from CYs 2013-2017 aggregating P225.338 million was not monitored and inspected contrary to Items 5.1 and 5.2 of COA Circular No. 2017-001 and Item 6, Section 4 of P.D. No. 1445. Further, no terms and conditions were provided in the Memorandum issued to the ECs pertaining to the realigned subsidy funds.	<p>a. Create a system for the monitoring and inspection of the status of implementation of realigned projects such as keeping and maintaining a sub-account to ensure accountability and transparency;</p> <p>b. Require the ATEO to conduct an inspection of the realigned projects to ensure the existence and serve as the basis for liquidation;</p> <p>c. Require the 57 ECs to submit the Accounting of Funds and the necessary liquidation documents for the 104 projects with a total realigned project cost of P225,338,448.68 and the three ECs – CENECO, BOHECO II and NORECO II; and</p> <p>d. Henceforth, include in the Memorandum a provision on the terms and conditions for the approved realigned project to include the time frame within which the project is to be undertaken and other conditions necessary in the monitoring of the realigned project.</p>	<p>Not Implemented</p> <p>NEA's Total Electrification Division will assign a personnel to handle all documents pertaining to this.</p> <p>Partially Implemented</p> <p>NEA submitted a status of final inspection of approved realigned projects.</p> <p>Not Implemented</p> <p>NEA will comply with the recommendation.</p> <p>Partially Implemented</p> <p>NEA issued Memorandum No. 2019-001 dated January 9, 2019 pertaining to policy guidelines on the implementation of strategized total electrification program (STEP). It has provisions on</p>

Ref.	Audit Observations	Recommendations	Status/Action Taken
			the realignment of unutilized and/or excess subsidy fund. The provisions for realignment will be included in the MOA.
AAR 2017 AOR No. 31 page 156	<p>The 1,845 allocated sitios aggregating P1.061 billion for the implementation of the 2017 Sitio Electrification Program (SEP) projects were not in accordance with NEA Memoranda 2011-021 and 2018-001.</p> <p>Likewise, of the 1,845 sitios, 1,184 sitios or 64.17 percent were implemented, of which 810 sitios or 68.41 percent were not yet energized as of December 31, 2017, thus, depriving the intended prioritized beneficiaries of the electrification program that could uplift their social and economic living.</p>	<p>a. Strictly comply with the criteria on selection and prioritization of SEP project and give priority to sitios/puroks that are specifically identified in the target list, so as not to deprive the beneficiaries of the electrification program that could uplift their social and economic living;</p> <p>b. Require ECs to energize the 810 sitios completed projects so as to maximize the benefits of the program and encourage prospective program beneficiaries to have their household energized; and</p> <p>c. Conduct immediate inspection of the 976 sitios completed subsidized funded projects which will serve as the basis of EC's liquidation and closed-out of books of both NEA and EC's</p>	<p>Partially Implemented</p> <p>In the remaining inventory of 23,464 sitios, the unviable areas have few constraints in the implementation.</p> <p>NEA requested ECs to further validate the existence of those remaining sitios listed in the initial inventory and to identify which are doable/implementable.</p> <p>Not Implemented</p> <p>NEA will comply with the recommendation.</p> <p>Partially Implemented</p> <p>Inspection and acceptance of the completed/energized projects are ongoing.</p>

Ref.	Audit Observations	Recommendations	Status/Action Taken
GENDER AND DEVELOPMENT (GAD)			
<p>AAR 2017 D AOR No. 32 page 160</p>	<p>The GAD allocation of P5.037 million for CY 2017 representing only 0.05 percent of the total appropriations was not compliant with the 5.0 percent mandatory requirement of the General Appropriations Act (GAA). Likewise, the utilization of GAD funds was not maximized.</p>	<p>a. Provide substantial and reasonable GAD budget as required by RA 10964 or GAA of 2017 to effectively carryout GAD activities and achieve GAD's mandate in NEA;</p> <p>b. Continue attending capacity building programs to fully achieve gender mainstreaming;</p> <p>c. Maximize the utilization of budgeted planned GAD activities to achieve the desired goals and objectives; and</p> <p>d. Provide additional activities to promote plans and policies on women empowerment and gender equality in the GAD Plan and Budget.</p>	<p>Not Implemented</p> <p>Reiterated in Part II AOR No. 29 page 138 of this Report.</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>