

## AUDIT OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL AUDIT

1. **The faithful representation of Loans Receivable – Electric Cooperatives (EC) account with balance of P9.659 billion as of December 31, 2020 was not established due to unreconciled variance aggregating P53.994 million between the book balance and the confirmed balances from the ECs contrary to the Conceptual Framework for General Purpose Financial Reporting (GPFR) by Public Sector Entities.**

- 1.1. The Conceptual Framework for GPFR by Public Sector Entities provides that the qualitative characteristics of information included in the general purpose financial statements are the attributes that make the financial information useful to users and support the achievement of the objectives of financial reporting. The objectives of financial reporting are to provide information useful for accountability and decision-making purposes. The qualitative characteristics of information included in GPFRs of public sector entities are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. It is attained when the depiction of the phenomenon is complete, neutral, and free from material error. (underscoring supplied)
- 1.2. The Loans Receivable – EC account pertains to the loans granted to the ECs to fund their electrification projects aimed to strengthen their technical and operational requirements. These loans are classified into Rural Electrification Loans, Calamity Loans, Generating Set Loans, Single Digit System Loss Program Loans, Working Capital/Relending Loans, Standby Credit Facility Loans, Power Use and Bliss I Loans, and Equity Financing Scheme.
- 1.3. The reported balance of Loans Receivable – EC account as of December 31, 2020 was P9.659 billion consisting of the matured (current) and long term (non-current) receivables as follows:

<b>Particulars</b>	<b>Code</b>	<b>Amount</b>
Current	126-01-01	205,841,607
Non-Current	126-02-01	9,453,387,850
<b>Total</b>		<b>9,659,229,457</b>

- 1.4. In March 2021, confirmation letters were sent to the 121 ECs nationwide, of which 69 ECs or 57 percent replied to the confirmation letters representing 52% of the balance of Loans Receivable-EC. The results of confirmation are presented below:

<b>No. of ECs</b>	<b>Per NEA's Book</b>	<b>%</b>	<b>Per EC's Book</b>	<b>Variance Under/(Over)</b>	<b>Result of Confirmation</b>
28	2,024,947,157.98	21%	2,000,450,695.98	24,496,462.00	lower confirmed balance
24	2,202,966,930.43	23%	2,232,464,313.84	29,497,383.41	higher confirmed balance
17	756,958,578.48	8%	756,958,578.48	0	same with book balance
69	4,984,872,666.89	52%	4,989,873,588.30	53,993,845.41	

1.5. Gleaned from the above table that only 69 ECs whose outstanding balances represent 52 percent of the receivable account as of year-end, responded with confirmation. Although 17 ECs confirmed the same balance with NEA's book balance, this represents only 8% of the amount per books while 52 ECs confirmed different ending balances totaling P53.994 million (in absolute value).

1.6. Verification of the accounts disclosed that such variances were due to the following:

a. Loan amortization payments by the ECs in December 2020, but were taken up in the books of NEA in January 2021. Details are as follows:

<b>Name of EC</b>	<b>Amount</b>
SIARELCO	1,865,949.00
ZAMECO II	1,337,155.25
ILECO I	657,731.66
BUSECO	459,133.00
CASURECO III	214,772.00
ABRECO	636,290.33
<b>Total</b>	<b>5,171,031.24</b>

b. Loans granted to ABRECO and CASURECO III amounting to P28.217 million and P424,706.60, respectively were not yet booked by NEA; and

c. Unidentified difference between the book balances and ECs confirmed balances were noted from the confirmation letters sent to 52 ECs which could not be identified from the documents gathered, summarized as follows:

<b>Respondent ECs</b>	<b>EC's Confirmation</b>	<b>Unidentified Balances</b>
28	lower confirmed balance	20,176,493.09
24	higher confirmed balance	4,264.47
<b>52</b>		<b>20,180,757.56</b>

1.7. The noted variances between the book balances and ECs confirmed balances indicate inaccuracies, incomplete or late recording, and unidentified transactions that raised doubt on the completeness and validity of the transactions recorded under Loans Receivable - ECs account as of December 31, 2020, hence faithful representation is not established.

- 1.8. **We recommended Management to require the Treasury Division to:**
- a. **Coordinate with the ECs and reconcile the variances noted and provide copies of the results of reconciliation to the Accounting Division, for adjustment of the book balances;**
  - b. **Provide copies of the necessary documents promptly to the Accounting Division in order to record loan amortization payments and loan releases in the books in a timely manner and take up the required adjustments to come up with the correct loan balances as at year-end; and**
  - c. **Conduct year-end reconciliation of loans receivable from ECs and submit to the Accounting Division the reconciliation statements for prompt adjustment of the balances.**
- 1.9. Management commented that the reason for the variance where the book balance is higher than the confirmed amount were payments for loan amortization from the ECs made through post-dated checks in December 2020 but was taken up in the books in January 2021.
- 1.10. On the other hand, the variance where the book balance is lower than the confirmed amount was caused by the unrecorded loan granted to ABRECO under the Special Payment Agreement and capitalized loan releases to EC which were not yet booked by NEA.
2. **The reliability and accuracy of the reported Cash in Bank-Local Currency Account totaling P3.853 billion as of December 31, 2020 was not ascertained due to unreconciled discrepancy of P25.523 million between the book and the bank balances caused by unrecorded savings account totaling P290.665 million, contrary to paragraph 27 of IPSAS 1 and Section 74 of Presidential Decree (PD) No. 1445.**

**In addition, there were two dormant or inactive bank accounts for more than five years with cash balances totaling P4.136 million, contrary to DOF-DBM-COA Joint Circular No. 4-2012 dated September 1, 2012.**

- 2.1. Paragraph 27 of IPSAS 1 states that:

*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSASs.*

- 2.2. Section 74 of PD No. 1445 requires the head of the agency to see to it that reconciliation is made between the balance shown in the reports and the balances found in the books of the agency.
- 2.3. The Cash and Cash Equivalents presented in NEA's Statement of Financial Position as of December 31, 2020 showed an aggregate ending balance of

P3.862 billion, of which P3.853 billion represents the total ending balance for Cash in Bank - Local Currency account, broken down as follows:

Account	Account Code	Balance as of December 31, 2020
<b>Cash on Hand</b>		
Cash – Collecting Officers	<b>102</b>	307,117.61
Petty Cash Fund	<b>104</b>	90,265.10
<b>Sub - Total</b>		<b>397,383.71</b>
<b>Cash in Bank-Local Currency</b>		
Cash in bank – Local Currency, Current Account	<b>111</b>	2,874,604,514.53
Cash in bank – Local Currency, Savings Account	<b>112</b>	978,718,901.95
<b>Sub - Total</b>		<b>3,853,323,416.48</b>
<b>Cash in Bank-Foreign Currency</b>		
Cash in bank – Foreign Currency, Savings Account	<b>116</b>	848,016.98
Cash in bank – Foreign Currency, Time Deposits	<b>117</b>	7,313,876.30
<b>Sub - Total</b>		<b>8,161,893.28</b>
<b>Total</b>		<b>3,861,882,692.77</b>

- 2.4. Records showed that NEA maintains 27 bank accounts for the aforementioned Local Currency Account consisting of Savings and Current Account in four (4) depository banks namely: Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP), Philippine Veterans Bank (PVB), and United Coconut Planters Bank (UCPB).
- 2.5. Comparison between the balances per book and balances confirmed by the banks on *Cash in Bank-Local Currency Current Account* and *Cash in Bank-Local Currency Savings Account* accounts, disclosed a net discrepancy of P25.523 million, details are shown below:

Item No.	Account Name	Balance per Books 12/31/2020	Balance per Bank 12/31/2020	Discrepancy/ Difference
1	DBP- NEA General/ Administrative Fund	10,226,946.10	10,200,577.38	26,368.72
2	DBP- NEA-Brgy. Electrification Fund	1,098,721,543.16	1,099,347,318.52	(625,775.36)
3	LBP- NEA - SDSLP Fund	5,783,416.75	5,795,475.73	(12,058.98)
4	LBP- NEA - EFSEC Fund	36,263.00	36,297.64	(34.64)
5	LBP- NEA - Brgy. Electrification Fund	1,065,904,899.33	1,076,190,880.93	(10,285,981.60)
6	LBP- NEA - Construction/ Administrative Fund	249,945,347.06	261,119,307.33	(11,173,960.27)
7	LBP- NEA Payroll Fund	4,099,488.12	4,101,220.15	(1,732.03)
8	LBP- NEA - Modular	128,678,477.72	128,689,814.13	(11,336.41)
9	LBP- NEA - Mobilization Fund	1,518,716.74	1,519,708.57	(991.83)
10	LBP- NEA - EC Trust Fund	143,351,417.22	143,555,667.67	(204,250.45)
11	LBP- NEA - Total Electrification Program Fund	10,000.00	10,001.00	(1.00)
12	UCPB - NEA Typhoon Glenda Fund	101,870,582.29	4,317,111.46	97,553,470.83
	<b>Subtotal -Current Account</b>	<b>2,810,147,097.49</b>	<b>2,734,883,380.51</b>	<b>75,263,716.98</b>

Item No.	Account Name	Balance per Books 12/31/2020	Balance per Bank 12/31/2020	Discrepancy/ Difference
13	PVB- NEA Payroll	(6,646,574.65)	23,415,218.69	(30,061,793.34)
14	LBP- NEA Restricted Fund	1,562,348.57	2,052,974.22	(490,625.65)
15	DBP- NEA SSD 02	78,176,844.22	78,246,334.75	(69,490.53)
16	DBP- NEA SSD 03	200,653,003.71	0.00	200,653,003.71
17	DBP- NEA SSD 05	100,155,060.00	100,317,877.70	(162,817.70)
18	DBP- NEA SSD 06	0	200,000,000.00	(200,000,000.00)
19	DBP- RE Construction Fund	295,189,380.29	275,179,191.81	20,010,188.48
20	UCPB-Savings	0	90,664,845.29	(90,664,845.29)
<b>Subtotal - Savings Account</b>		<b>669,090,062.14</b>	<b>769,876,442.46</b>	<b>(100,786,380.32)</b>
<b>Grand Total</b>		<b>3,479,237,159.63</b>	<b>3,504,759,822.97</b>	<b>(25,522,663.34)</b>

2.6. Confirmation results of the recorded Cash in Bank – Local Currency of the 27 accounts disclosed the following:

- a. **Two unrecorded savings accounts of NEA with the DBP and UCPB in the amount of P200 million and P90.665 million, respectively.**

The bank confirmation letter from the UCPB revealed that as of December 31, 2020, NEA has P90.665 million in its savings account (Item No. 20 above). Moreover, DBP's confirmation letter showed that as of December 31, 2020, NEA has a balance of P200 million under its savings account. Both savings accounts were not reflected in the NEA's books as at year-end, and no Subsidiary Ledgers were found for these two accounts. On the other hand, it was noted that one DBP account has a balance per books of P200.653 million which was not confirmed by said depository bank.

- b. **Two current accounts with the LBP totaling P4.136 million are dormant or inactive or for more than five years.**

Under Section 3.2 of DOF-DBM-COA Joint Circular No. 4-2012 dated September 1, 2012, dormant accounts refer to *collections authorized by law to be deposited with an Accredited Government Depository Bank but have remained inactive for more than five (5)*.

Included in the confirmation letter received from the LBP is the balance of NEA's two current accounts totaling P4.136 million as at year-end (refer to items 4 & 7 of the table), to wit:

Account Name	Balance per Book 12/31/2020	Balance per Bank 12/31/2020	Date of Last Transaction
LBP- NEA - EFSEC Fund	36,263.00	36,297.64	October 27, 2009
LBP- NEA Payroll Fund	4,099,488.12	4,101,220.15	May 7, 2015
<b>Total</b>	<b>4,135,751.12</b>	<b>4,137,517.79</b>	

Records showed that no other movement was recorded on these two accounts for more than five years after the last recorded transactions in

October 2009 and May 2015, hence, the accounts are considered dormant or inactive.

It is worthy to note that one of the dormant accounts was for NEA's payroll whose last transaction transpired on May 7, 2015.

The necessity of maintaining these accounts should be assessed by Management and consider closing them for transfer to the active general fund accounts.

2.7. The significant amount of funds which is already dormant for more than five years deprived NEA of possible benefits that can be derived had these funds been placed or invested in short or long-term investments which can yield higher interest income. Also, dormancy fees have been charged by the depository banks to these dormant deposit accounts which will reduce the balances.

2.8. ***We recommended and Management agreed to:***

***a. Require the Accounting Division to :***

***i. Conduct reconciliation of the P25.523 million variance between the book and the bank balance, and prepare the necessary adjusting entries to properly take up the identified reconciling items and furnish this Office with the related Journal Entry Vouchers and pertinent supporting documents;***

***ii. Record the amount of P200 million and P90.665 million for the bank balances under the NEA's account in the DBP and UCPB as of December 31, 2020 and verify the recorded amount per books of P200.653 million which was not confirmed by DBP; and***

***iii. Prepare the monthly BRS for each depository bank account, record cash in bank transactions and adjustments in a timely manner and submit BRS regularly to this Office within 20 days pursuant to Section 74 of PD No. 1445;***

***b. Require the Treasury Division to consider closing the dormant accounts and transfer the fund to other active bank accounts of NEA.***

2.9. Management commented that the reconciliation is ongoing and that most of the unrecorded amount which leads to the understatement of the books over the bank balances are various online deposits from the ECs and interest income earned from the deposits. Various journal entry vouchers were already prepared in 2021 to record the collections and interest income.

2.10. Journal entry vouchers were also prepared to take up the unrecorded balances of the UCPB and DBP accounts on April 1, 2021 and May 25, 2021, respectively.

2.11. As for the dormant accounts, Management will maintain the Payroll Fund account since there is a pending request from the NEA employees to transfer the payroll banking services back to LBP from the PVB due to very limited access and

difficulties encountered in withdrawing from the latter's automated teller machines. It was also mentioned that the process for closing the NEA EFSEC Fund has already started.

3. **The reliability and valuation of Property, Plant and Equipment (PPE) with carrying amount of P181.548 million as at year-end was not ascertained due to the following deficiencies:**
  - a. **Unreconciled variance between the balance per Accounting records and Physical Inventory Report (PIR) in the amount of P2.422 million;**
  - b. **Eight PPE items remained missing and reported as a shortage in the PIR totaling P0.543 million;**
  - c. **Unserviceable properties totaling P19.884 million with carrying amount of P3.659 million remain undisposed and recorded under PPE account as at year-end contrary to the Department of Budget and Management's (DBM) National Budget Circular (NBC) No. 425 or the Manual on Disposal of Government Property.**

This is a reiteration of previous audit findings.

- 3.1. The carrying amount of the PPE account as of December 31, 2020 was P181.548 million, broken down as follows:

Particulars	Cost	Accumulated Depreciation	Carrying Amount
Land and Land Improvements	36,996,775.17	695,329.83	36,301,445.34
Buildings	295,930,919.67	180,730,303.42	115,200,616.25
Office Equipment, Furniture and Fixtures	67,829,187.24	48,446,441.59	19,382,745.65
Transportation Equipment	33,703,529.75	28,133,201.44	5,570,328.31
Machinery and Equipment	16,731,351.47	11,726,897.84	5,004,453.63
Other Property and Equipment	335,305.00	246,599.40	88,705.60
<b>Total</b>	<b>451,527,068.30</b>	<b>269,978,773.52</b>	<b>181,548,294.78</b>

- 3.2. Examination of the PPE account disclosed the following deficiencies:
  - a. **Unreconciled variance between the balance per Accounting records and PIR totaling P2.422 million.**
    - i. Section 4, Rule V of COA Circular No. 80-124 dated January 18, 1980, provides that "All inventory reports shall be prepared on the prescribed form (Gen. Form No. 41-A) and certified correct by the committee in charge thereof, noted by the Auditor and approved by the head of the agency. **The reports shall be properly reconciled with accounting and inventory records.**" (emphasis supplied)
    - ii. Review of PPE account showed that there was a net variance of P2.422 million between balances per Accounting records and PIR, details shown below:

<b>Account Name</b>	<b>Per Accounting Records</b>	<b>Per Inventory Report</b>	<b>Variance</b>
Office Equipment, Furniture and Fixtures			
Office Equipment	4,661,635.25	2,816,282.77	1,845,352.48
Furniture and Fixtures	12,280,292.29	12,117,762.29	162,530.00
IT Equipment and Software	50,887,259.70	51,099,146.00	(211,886.30)
<b>Sub-total</b>	<b>67,829,187.24</b>	<b>66,033,191.06</b>	<b>1,795,996.18</b>
Communication Equipment	10,914,201.47	10,287,926.60	626,274.87
<b>Total</b>	<b>78,743,388.71</b>	<b>76,321,117.66</b>	<b>2,422,271.05</b>

iii. The variances are attributable to the following:

- Nine PPE items totaling P0.820 million were not included in the PIR, hence, the existence thereof could not be determined.

It was reported in the CY 2019 Annual Audit Report (AAR) that 21 PPE items totaling P3.409 million were not included in the PIR. Of the 21 PPE items, nine items totaling P0.820 million were still not included in the PIR as of December 31, 2020.

Both Section 105(1) of the PD No. 1445 and Item II.C.3 of COA Circular No. 81-156 dated January 19, 1981, emphasized the accountability and/or responsibility of every officer accountable for government property, to quote:

*Every officer accountable for government property shall be liable for its money value in case of improper or unauthorized use or misapplication thereof, by himself or any person for whose acts he may be responsible. He shall likewise be liable for all losses, damages, or deterioration occasioned by negligence in the keeping or use of the property, whether or not it be at the time in his actual custody. (emphasis supplied)*

Based on the above provision, the Accountable Officer (AO) may be held liable for possible loss or damage on the property under his actual custody. The responsible AO for the property can be easily identified thru the property number and/or tag pasted/posted in the property.

- Seven items of *IT Equipment and Software* account totaling P243,086.27 were included in the PIR but were not recognized in the accounting records as of December 31, 2020.

The CY 2019 AAR reported 19 items of *IT Equipment and Software* account aggregating P0.932 million which were included in the PIR but were not reported in the Accounting records, of which, seven items totaling P243,086.27 were still not included in the accounting records as of December 31, 2020.



- Unidentified Office Equipment totaling P1.845 million tagged as unserviceable in the accounting records with no recorded accumulated depreciation.

The CY 2019 AAR of NEA reported unidentified Office Equipment totaling P1.845 million tagged as unserviceable in the Accounting records. The balance of this account represents the beginning balances set-up for the unidentified *Office Equipment* account tagged unserviceable during the conversion of NEA's Electronic New Government Accounting System (e-NGAS). This account has no recorded accumulated depreciation since March 2005 and was not included in the PIR as of December 31, 2020, hence, the existence thereof could not be determined.

- iv. The Agency Action Plan and Status of Implementation (AAPSI) for CY 2019 reported that the gathering of details and identification of unidentified *Office Equipment* tagged as unserviceable is still ongoing as of December 31, 2020.
- v. The non-reconciliation and adjustment of the noted discrepancies between the balance per Accounting records and inventory Report affect the reliability and valuation of the PPE accounts.

**b. Eight PPE items remained missing and were reported as a shortage in the PIR amounting to P0.543 million.**

- i. It was reported in the CY 2019 AAR of NEA that 14 PPE items were missing and its disposition as to loss due to theft or damage caused by the concerned employee or other events were unknown, thus, reported as shortage or not found during the physical inventory count.
- ii. In CY 2020 six out of the 14 PPE items totaling P258,101.15 were found to be existing, while eight PPE with total acquisition cost of P0.543 million remained missing as of December 31, 2020.
- iii. The CY 2019 AAR mentioned that the Head of the Property Unit shall be responsible for determining the person/s accountable for the missing PPE items. The accountability shall be verified from the Property Unit's file/copy of the Property Acknowledgement Receipt (PAR), Property Cards (PCs), and other reliable property records.
- iv. Also, the AOs are considered liable and a receivable account shall be set up to record the accountability of the accountable officers concerned simultaneous with the derecognition of the properties in the accounting books.

**c. Unserviceable properties totaling P19.884 million remain undisposed and recorded under PPE as at year-end.**

- i. A PPE is said to be unserviceable if it is no longer capable of providing the entity with future economic benefits or service potential.
- ii. National Budget Circular No. 425 on Manual on the Disposal of Government Property issued by the Department of Budget and Management provides that:

*Disposal proceedings should be immediately initiated to avoid further deterioration of the property and consequent depreciation in its value. A systematic and timely disposal will yield benefits in terms of, among others, a higher appraised value and by enabling storage areas available for other purposes.*

- iii. It was reported in the CY 2019 AAR of NEA that the 357 unserviceable PPE items totaling P19.815 million with a carrying amount of P3.659 million were not yet disposed as of December 31, 2019, thus, subject to further deterioration that may result in a lower appraised value.
- iv. However, as of December 31, 2020, two PPE items were added to the 357 unserviceable PPE items, thus, as of the year-end, 359 PPE items totaling P3.659 million remain undisposed.

3.3. The aforementioned deficiencies affect the reliability and valuation of the PPE account contrary to the provision of the Conceptual Framework for GPFR by Public Sector Entities which requires that information must be a faithful representation of the economic and other phenomena that it purports to represent.

3.4. ***We reiterated our previous recommendations and Management agreed to:***

- a) ***Require the Accountant and the Property Officer to speed up the reconciliation of the variance between the Accounting records and PIR and make the necessary adjustment to reflect the corrected balances in the books;***
- b) ***Require the concerned AOs/employees to locate and produce the eight missing PPE items declared as shortage, otherwise, hold them liable for the loss of the items and set-up receivable from the concerned AOs/employees;***
- c) ***Require the Accounting Division to reclassify the unserviceable properties with carrying amount of P3.659 million to the Other Assets account; and***
- d) ***Prioritize the disposal/sale of unserviceable PPE items to avoid further deterioration.***

4. **Deficiencies and errors on the foreclosed properties under the Other Assets account of the NEA cast doubt on the completeness of recording, existence and ownership of the assets contrary to paragraph 27 of IPSAS 1.**

- a. **Several foreclosed properties acquired in the year 1972 located in Bani and Bolinao, Pangasinan were not recognized in the books of NEA;**
- b. **Discrepancies were noted between the Declaration of Real Properties (DRPs) and Sheriff Certificate of Sales (SCSs) on the exact land areas, locations, and declaration of real property numbers of the acquired foreclosed properties; and**
- c. **Foreclosed properties acquired in 1967 and 1972 remain untitled.**

4.1. Paragraph 27 of IPSAS 1 states that:

*Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.*

- 4.2. The reported Other Assets account of P20.147 million in the CY 2020 Notes to financial statements included the foreclosed land amounting to P25,800.00 located in Bani and Bolinao, Pangasinan, and acquired in the year 1967 by the NEA.
- 4.3. These properties were the subject of audit observation in CY 2018 where the then Audit Team recommended that the foreclosed properties be reclassified from the PPE account to the Other Assets account pursuant to IPSAS 17 and COA Circular No. 2015-010 or the Revised Chart of Accounts for Government Corporations.
- 4.4. Interview with the Accounting Manager disclosed that these foreclosed properties are parcels of land without titles and the only document showing proof of NEA's ownership is a photocopy of the SCS dated February 27, 1967, a barely readable photocopy of which was provided by the Coordinator for NEA Acquired and Foreclosed Properties through his Memorandum dated December 23, 2020.
  - i. It was also noted from the said Memorandum that the properties were the subject of a mortgage loan by the individual borrowers which were, later on, declared foreclosed and adjudicated by the Court to NEA thru SCSs in the years 1967 and 1969, which to date remain untitled and some have impediments due to various claims and influx of informal settlers.
  - ii. Thus, to legally and physically protect the integrity and security of the said properties, the General Manager of Pangasinan I Electric Cooperative, Inc.

(PANELO I) was designated as the caretaker for the Bolinao properties per Office Order No. 2019-137 effective July 17, 2019.

iii. Details in the SCSs are presented in the following table:

<b>Tax Declaration No.</b>	<b>Description</b>	<b>Location</b>	<b>Lot Area (in sq. m.)</b>	<b>Assessed Value</b>	<b>Remarks</b>
11660	Parcel of Pastureland and improvements.	Balingasay, Bolinao, Pangasinan	1,170,000	11,170.00	
16981	First mortgage on a parcel of unregistered coconut land and improvements.	Poblacion, Bolinao, Pangasinan	987	200.00	20 coconut trees valued at P80 and the land at P120
17357	First mortgage on a parcel of residential land and improvements.	Poblacion, Bolinao, Pangasinan	5,000	1,250.00	
16935	First mortgage on the electric system constructed on land	Poblacion, Bolinao, Pangasinan			Land improvement constructed
16935	First mortgage on a parcel of coconut land and improvements.	Poblacion, Bolinao, Pangasinan	6,384	190.00	69 coconut trees valued at P140 and the land at P50
<b>Total</b>			<b>1,182,371</b>	<b>12,810.00</b>	

- iv. Based on the above, the recorded foreclosed land/properties of P25,800 was composed of 1,182,371 sq.m of land located in Bolinao, Pangasinan with total assessed value of P12,810.00.
- v. The Memorandum also mentioned that properties were also the subject of an Exploratory Meeting conducted by NEA with the representatives of a private corporation on November 11, 2020 with the latter's intention of leasing seven to ten hectares of the properties located at Bolinao, Pangasinan for its Solar Power Plant project, subject to usual bidding procedures.
- vi. Moreover, the Coordinator for NEA Acquired and Foreclosed Properties mentioned that the NEA Tax Declarations for the foreclosed properties are not updated, most of them are issued in the 1980s and few parcels of land have illegal tenants/claimants.

4.5. Another Memorandum dated January 27, 2021, was received from the Coordinator, along with the following documents and updated information on the foreclosed properties:

- i. A barely readable photocopy of SCS issued in January 1972 for Bani and Bolinao properties costing P39,790.00;
- ii. Photocopies of nine DRPs for properties owned by NEA located in Bolinao, Pangasinan issued between the years 1980 to 2011;
- iii. Memorandum dated August 30, 2016 with the subject *After Mission Report: Revalidation of the Tax Declarations of properties acquired by NEA through foreclosure*; and

iv. Office Order No. 2019-137 dated July 17, 2019, authorizing the General Manager of PANELO I, as the caretaker of the aforesaid properties.

4.6. According to the Memorandum dated January 27, 2021, the foreclosed properties acquired thru SCSs in the years 1967 and 1969 remain untitled and have some impediments due to various claimants and the influx of squatters located in Bolinao and Bani, Pangasinan, with a total land area of 2,547,552 sq.m. Details are as follows:

	Tax Declaration No.	Location (Barangay)	Area (sq.m)
<b>A. Bolinao, Pangasinan</b>			
1	12-0007-00029	Catuday	500,000
2	12-0007-00027	Catuday	639,000
3	12-0011-00774	Estanza	58,249
4	12-0002-00130	Estanza	6,384
5	12-00011-00761	Estanza	26,546
6	12-0002-00693	Germinal	5,170
7	12-0002-00781	Germinal	5,000
8	12-0002-00131	Germinal	987
9	654	Balingasay	1,170,000
<b>Sub-total</b>			<b>2,411,336</b>
<b>B. Bani, Pangasinan</b>			
1	10591	Poblacion	216
2	14617	Olo Banong	136,000
<b>Sub-total</b>			<b>136,216</b>
<b>Grand Total</b>			<b>2,547,552</b>

**Foreclosed properties acquired in 1972 are not recognized in the books of NEA.**

i. Examination of the SCS issued in CY 1972 disclosed another foreclosed property acquired by NEA being the highest and only bidder for the sum of P39,790 with a total land area of 886,991 sq. m. located in Bani and Bolinao, Pangasinan:

Tax Declaration No.	Description	Location	Lot Area (sq. m.)	Selling Price
10591	Parcel of land	Bani, Pangasinan	216	110.00
14617	Parcel of land	Bani, Pangasinan	136,775	1,230.00
17703	Two parcels of land	Catuday, Bolinao, Pangasinan	500,000	2,300.00
		Catuday, Bolinao, Pangasinan	250,000	1,150.00
<i>Unreadable</i>	Mortgage on the Franchise and Certificate of Public Convenience	Bani, Pangasinan		35,000.00
<b>Total</b>			<b>886,991</b>	<b>39,790.00</b>

ii. Based on data gathered, it is apparent that NEA owns foreclosed properties more than the total land area of 1,182,371 sq. m. recognized in the books at P25,800. The foreclosed properties reflected in the SCS issued in January

1972 with a total land area of 886,991 sq. m., costing P39,790 were not included in the *Foreclosed Properties* account, hence, understated the foreclosed property account by P39,790.

#### Discrepancies noted between the DRPs and SCSs

- 4.7. Examination of the nine DRPs disclosed properties owned by NEA with total land area of 5,617,824 sq.m. and total assessed value of P1,094,700, located in Catuday, Balingasay, and Estanza, Bolinao, Pangasinan. Details are shown below:

Property Index No.	Tax Declaration No.	Location	Area (sq. m.)	Market Value	Assessed Value	Year of Assessment
013-15-007-0321	321	Catuday	500,000	70,400	28,160	1980
013-15-007-0321	252	Catuday	500,000	66,420	34,560	1985
013-15-007-02-002	007-00027	Catuday	1,639,575	1,312,120	524,850	1997
013-15-007-0320	13688	Catuday	250,000	23,250	9,300	1974
013-15-007-0320	320	Catuday	250,000	35,200	14,080	1980
013-15-007-0320	251	Catuday	250,000	43,200	17,280	1985
013-15-007-02-004	007-00029	Catuday	1,000,000	800,000	320,000	1997
Not indicated	Not indicated	Balingasay	1,170,000	86,580	34,630	1986
013-12-011-14-013	12-011-00774	Estanza	58,249	372,790	111,840	2011
TOTAL			5,617,824	2,809,960	1,094,700	

- i. There were discrepancies on the exact total land areas, locations and tax declaration numbers of acquired foreclosed properties between the SCSs and DRPs, to wit:
- The combined land areas shown in the SCSs and the DRPs are 2,069,362 sq. m. and 5,617,824 sq. m., respectively;
  - DRPs mentioned all properties were located in Bolinao, Pangasinan. However, we cannot validate which of the properties in the SCSs have DRPs since there were discrepancies on the Tax Declaration Number indicated in the two documents;
  - The “*After Mission Report: Revalidation of the Tax Declarations of properties acquired by NEA through foreclosure*” stated that the Legal Services Office went to the Assessor’s Office in Bolinao and found that the NEA has a Tax Declaration for 100 hectares of land located at Barangay Catuday, Bolinao, Pangasinan. However, the Assessor’s Office is not sure whether it is the same as the 117 hectares (1,170,000 sq. m.) of land included in NEA’s records, under Tax Declaration No. 654, and if it is, they are not sure how it was reduced to 100 hectares. The Assessor’s Office added that the land area is merely an estimate and therefore, it is not exact.

#### Foreclosed properties acquired in 1967 and 1972 remain untitled

- 4.8. Moreover, these properties remain untitled up to this date and leasing it to a private company may cause legal issues in the future due to various claimants

and informal settlers in the properties. The Management must prioritize the titling of the land and establish ownership before any attempt to lease it to third parties.

4.9. ***We recommended that Management:***

***a. Require the Coordinator of Acquired and Foreclosed Properties, the caretaker, and the Legal Department to coordinate with the Assessor's Office in Bani and Bolinao, Pangasinan to:***

***i. Secure authenticated copy of the nine DRPs;***

***ii. Conduct inspection to establish the exact locations, total land areas of the said foreclosed properties and update the recorded information; and***

***iii. Hire the service of an accredited property appraiser to assess the foreclosed property and make the corresponding adjustment on the books;***

***b. Recognize in the books the foreclosed properties acquired and evidenced by the SCS issued in January 1972; and***

***c. Secure the Transfer Certificate of Title (TCT) of the foreclosed properties before considering to lease the property to private corporations to prevent future legal issues from third party claims over the properties.***

4.10. Management commented that the Legal Services Office will exert efforts to secure the authenticated copies of the DRPs and to verify the respective Tax Declarations and the total areas of the properties with the Local Assessor's Office of Bani and Bolinao, Pangasinan as soon as travel restrictions due to the COVID-19 pandemic are lifted.

4.11. As for the titling of the properties, Management admitted that they do not have the necessary documents but will coordinate with the concerned agencies regarding the matter as soon as travel restrictions by the Inter-Agency Task Force are lifted.

## **B. OTHER AUDIT OBSERVATIONS**

5. **A total of P1.520 billion subsidy balance covering the period from CYs 2009 to 2019 remain unliquidated by the ECs as of December 31, 2020 due to deficiencies were noted in the grant, liquidation and recording of subsidies released to the Electric Cooperatives (ECs) for the implementation of Sitio Electrification Program (SEP), Barangay Line Enhancement Program (BLEP), Housewiring Program, Metering Program, Installation of Transformers, Calamity Grants, Marawi Siege and Armed Conflict projects, which were not in conformity with Section 4.5.6 of COA Circular No. 2007-001, Memorandum of Agreement (MOA) between NEA and ECs, NEA Memorandum Nos. 2018-001 and 2019-001, indicating lack of monitoring and efficient management of the subsidy fund, to wit:**

- a. **The amount of P139.161 million and P1.131 billion from the 90 percent initial releases of subsidy funds from CYs 2018 and 2019 remain unliquidated as of December 31, 2020;**
- b. **Simultaneous and subsequent releases of subsidy funds despite unliquidated balances; and**
- c. **Adjustments reported in the Status of Fund Transfer as of December 31, 2020 remained unadjusted in the books which could have reduced the unliquidated balance.**

**This is a reiteration of previous year's audit observation.**

- 5.1 Section 4.5.6 of COA Circular No. 2007-001 on the Procedure for the Availment, Release and Utilization of Funds provides that:

***No NGO/PO shall be a recipient of funds where any of the provisions of this Circular and the MOA entered into with the GO has not been complied with, in any previous undertaking with funds allocated from the GO.*** (emphasis supplied)

- 5.2 Item 6 of NEA Memorandum No. 2018-001 dated December 7, 2017 entitled Policy Guidelines on the Implementation of SEP (Phase 2-Grid Connection) on *Implementing Guidelines on the Schedule of Fund Release* clearly states that:

*The succeeding RRCF for projects with the same classification **shall be processed only if the first/previous projects funded by subsidy were completed and subsidy funds were fully liquidated.*** (emphasis supplied)

- 5.3 Item 3 of NEA Memorandum No. 2019-001 dated January 9, 2019 entitled Policy Guidelines on the Implementation of STEP on *Implementation Scheme on the Schedule of Fund Release for NEA Subsidy Funded projects* emphasizes that:

*The RRCF for succeeding projects **shall be processed only if the previous projects funded by subsidy were completed and subsidy funds were fully liquidated.*** (emphasis supplied)

- 5.4 Section 4 of the MOA between NEA and ECs states that:

*Pursuant to COA Circular No. 94-013 S. 1994 the Recipient shall submit regular Accomplishment Report on the progress of the project implementation including an accounting of the subsidy fund and disbursements made to implement the project(s) on a per project basis, and such other data and information, as may be required by NEA from time to time. **A final report on the project(s) to include Accounting of Funds, Status Report of NEA subsidy fund releases and Certificate of Final Inspection and Acceptance and other documents provided in Schedule B must be submitted by the Recipient to NEA within three (3) months from completion of the project which shall be the basis for***



**liquidation.** Also, the Recipient shall conduct **close-out of project within three (3) months after NEA’s final inspection and acceptance to facilitate the take-up of completed projects in the EC books.** (emphasis supplied)

- 5.5 NEA releases subsidy funds to the ECs upon approval of the evaluated project cost for the implementation of various rural electrification or rehabilitation projects. The release of subsidy fund is debited to account *Due from Non-Governmental Organization/Peoples Organization (NGOs/POs)* subject to liquidation upon completion of the projects. The ECs have six months to implement the project from receipt of the subsidy fund and another six months is given to liquidate the same including the close-out of the project or a maximum of 12 months or one year from receipt of the subsidy fund. Upon submission of the documentary requirements for liquidation, the account *Due from NGOs/POs* is credited.
- 5.6 The balance of the *Due from NGOs/POs* account represents the unliquidated balances from subsidy released to ECs from CYs 2009 to 2020 for the implementation of SEP, BLEP, Housewiring Program, Metering Program, Installation of Transformers in public schools, and various calamity grants for the rehabilitation and restoration of distribution lines program brought by Typhoon Yolanda and other typhoons, earthquakes, Marawi Siege and Armed Conflict funded from various sources of the National Government (NG).
- 5.7 Audit of the subsidy fund released to ECs from CYs 2009 to 2020 disclosed the following:
- a. **Subsidy balance totaling P1.520 billion from CYs 2009 to 2019 remains unliquidated as of December 31, 2020;**
- i. As of December 31, 2020, the *Due from NGOs/POs* account has an outstanding balance of P2.776 billion and P1.520 billion or 55 percent of which, is already due or overdue for liquidation, details are shown in Table 1 below:

**Table 1: Subsidy Fund Balance as of December 31, 2020**

Source Fund	No. of EC	Balance as of 12.31.2020	Due for Liquidation	
			As 12.31.2020	As of 12.31.2019
Regular Subsidy (2008 – 2009)	1	8,810,118.36	8,810,118.36	8,810,118.36
2011 SEP/BLEP	6	57,854,129.84	55,243,965.66	7,495,150.73
2012 SEP/BLEP	8	58,938,242.81	58,938,242.81	18,906,500.95
2013 OPAPP PAMANA	4	70,244,218.38	41,783,751.63	24,339,776.48
2013 SEP/BLEP	12	305,428,043.62	247,551,497.87	79,507,616.19
2014 SEP/BLEP	11	134,465,799.15	131,971,743.27	155,790,685.68
2015 SEP/BLEP	12	92,942,810.40	82,780,634.76	93,599,551.52
2016 SEP/BLEP	3	81,965,324.38	81,965,324.38	2,816,994.88
2017 SEP/BLEP	4	10,002,642.88	10,002,642.88	59,383,253.18
2018 SEP/BLEP	17	64,736,062.62	50,296,156.44	172,882,394.50
2019 SEP/BLEP	41	674,438,795.48	387,765,797.36	0
2020 SEP/BLEP	5	196,899,347.47	0	0
2019 Solar Home System	5	122,863,578.29	0	0

Source Fund	No. of EC	Balance as of 12.31.2020	Due for Liquidation	
			As 12.31.2020	As of 12.31.2019
2018 NDRRMF (Marawi Siege)	1	329,628,407.56	192,482,938.42	0
Office of the Presidential Adviser on the Peace Process (OPAPP)	2	25,252,541.03	25,252,541.03	25,112,408.01
ARMED Conflict	1	19,185,713.34	19,185,713.34	24,459,323.98
Subsidy for NHA -Yolanda	14	135,208,296.83	60,762,403.04	39,215,919.39
Metering Program (LASURECO)	1	7,659,490.44	7,659,490.44	7,659,490.44
JICA	6	70,352,601.91	0	0
Typhoon Urduja, Vinta & Niña (Quick Response Fund)	1	1,489,590.48	1,489,590.48	20,932,695.10
Typhoon Ompong	15	277,699,547.49	26,132,891.97	0
Yolanda Rehabilitation and Restoration Program (YRRP)	1	29,826,374.57	29,826,374.57	0
<b>Grand Total</b>		<b>2,775,891,677.33</b>	<b>1,519,901,818.71</b>	<b>740,911,879.39</b>

- ii. Gleaned from the above that the amount due for liquidation as of December 31, 2020 is 105 percent more compared to the amount due for liquidation last CY 2019.
- iii. The maximum allotted time for the liquidation of a certain electrification project is 12 months from the EC's initial receipt of the subsidy fund, hence, all subsidies released for more than one year are already due for liquidation. Presented in Table 2 below is the aging of unliquidated balance per source fund.

**Table 2: Aging of Unliquidated Subsidy Fund**

Source Fund	Balance as of 12.31.2020 (a)	Less Than 1 year (b)	More than 1 year (c)	More than 2 years (d)	More than 3 years (e)	Total Amount Due for Liquidation (f=c+d+e)
1. Regular Subsidy	8,810,118.36	0.00	0.00	0.00	8,810,118.36	8,810,118.36
2. 2011 SEP/ BLEP	57,854,129.84	2,610,164.18	45,863,576.41	0.00	9,380,389.25	55,243,965.66
3. 2012 SEP/ BLEP	58,938,242.81	0.00	56,334,178.96	0.00	2,604,063.85	58,938,242.81
4. 2013 OPAPP PAMANA	70,244,218.38	28,460,466.75	40,988,140.13	795,611.50	0.00	41,783,751.63
5. 2013 SEP/ BLEP	305,428,043.62	57,876,545.75	177,918,051.58	0.00	69,633,446.29	247,551,497.87
6. 2014 SEP/ BLEP	134,465,799.15	2,494,055.88	32,696,566.62	14,614,672.40	84,660,504.25	131,971,743.27
7. 2015 SEP/ BLEP	92,942,810.40	10,162,175.64	21,644,339.85	54,424,431.21	6,711,863.70	82,780,634.76
8. 2016 SEP/ BLEP	81,965,324.38	0.00	81,964,990.29	0.00	334.09	81,965,324.38
9. 2017 SEP/ BLEP	10,002,642.88	0.00	1,269,656.76	0.00	8,732,986.12	10,002,642.88
10. 2018 SEP/ BLEP	64,736,062.62	14,439,906.18	7,755,646.19	42,540,510.25	0.00	50,296,156.44
11. 2019 SEP/ BLEP	674,438,795.48	286,672,998.12	387,765,797.36	0.00	0.00	387,765,797.36

Source Fund	Balance as of 12.31.2020 (a)	Less Than 1 year (b)	More than 1 year (c)	More than 2 years (d)	More than 3 years (e)	Total Amount Due for Liquidation (f=c+d+e)
12. 2020 SEP/ BLEP	196,899,347.47	196,899,347.47	0.00	0.00	0.00	0.00
13. 2019 Solar Home System	122,863,578.29	122,863,578.29	0.00	0.00	0.00	0.00
14. 2018 NDRRMF (Marawi Siege)	329,628,407.56	137,145,469.14	192,482,938.42	0.00	0.00	192,482,938.42
15. OPAPP	25,252,541.03	0.00	0.00	0.00	25,252,541.03	25,252,541.03
16. Subsidy for Armed Conflict	19,185,713.34	0.00	0.00	0.00	19,185,713.34	19,185,713.34
17. Subsidy for NHA -Yolanda	135,208,296.83	74,445,893.79	28,132,318.06	25,296,639.43	7,333,445.55	60,762,403.04
18. Subsidy for Metering Program (LASURECO)	7,659,490.44	0.00	0.00	0.00	7,659,490.44	7,659,490.44
19. JICA	70,352,601.91	70,352,601.91	0.00	0.00	0.00	0.00
20. Subsidy for Typhoon Urduja, Vinta & Niña	1,489,590.48	0.00	0.00	1,489,590.48	0.00	1,489,590.48
21. Subsidy for Typhoon Ompong	277,699,547.49	251,566,655.52	26,132,891.97	0.00	0.00	26,132,891.97
22. YRRP	29,826,374.57	0.00	29,826,374.57	0.00	0.00	29,826,374.57
Grand Total	2,775,891,677.33	1,255,989,858.62	1,130,775,467.17	139,161,455.27	249,964,896.27	1,519,901,818.71

iv. As shown in Table 2 above, the amount of P1.256 billion or 45.25 percent of the total unliquidated subsidies was from the CY 2020 releases, hence, not yet due for liquidation since they are still within the maximum timeframe of 12 months.

v. On the other hand, subsidy fund balances totaling P1.520 billion or 54.75 percent of the total unliquidated funds were already outstanding for more than one year, hence, already due for liquidation. However, these remain unliquidated and in the custody of the above-listed ECs as of December 31, 2020, contrary to Section 4 of the MOA between NEA and the ECs and indicating lack of monitoring and management of the subsidy fund.

**b. The amount of P139.161 million and P1.131 billion, from 90 percent initial releases of subsidy funds from the CYs 2018 and 2019 releases, respectively, remain unliquidated as of December 31, 2020.**

i. Starting CY 2018 and onwards, NEA released subsidy funds to ECs equivalent to 90 percent or almost the full amount of allocated cost except for the 10 percent retention money pursuant to NEA Memorandum No. 2018-032 dated May 9, 2018, which provides that:

*The initial subsidy fund (90% of the approved project cost) will be released to the EC as soon as the previous funds received are fully liquidated and a copy of the Notice of Award/Notice to Proceed with the winning bidder is submitted to ATEO/TED”.*

The 90 per cent release covered mobilization, full payment of the materials and labor cost. The releases of CY 2018-2019 and its corresponding unliquidated balances are as follows:

**Table 3: Subsidy Released in CY 2018-2019**

EC Name	Region	CY 2018 Releases	Unliquidated Balance from CY 2018 Releases	CY 2019 Releases	Unliquidated Balance from CY 2019 Releases
1. INEC	I	0	0	16,132,891.97	16,132,891.97
2. PANELCO I	I	0	0	6,645,113.05	6,645,113.05
3. CAGELCO I	II	21,845,909.31	0	0	0
4. CAGELCO II	II	0	0	20,922,189.84	20,922,189.84
5. ISELCO II	II	0	0	53,295,475.31	52,767,385.30
6. NUVELCO	II	2,703,161.57	0	35,312,970.79	6,982,117.40
7. QUIRELCO	II	15,307,722.59	0	1,381,743.34	1,381,743.34
8. ABRECO	CAR	0	0	10,000,000.00	10,000,000.00
9. BENECO	CAR	39,917,960.01	1,381,298.47	0	0
10. NEECO I	III	780,356.87	0	0	0
11. NEECO II- A 2	III	0	0	12,693,122.58	12,086,867.61
12. BATELEC II	IV-A	800,647.06	0	6,600,572.66	0
13. QUEZELCO I	IV-A	0	0	11,756,602.34	11,756,602.34
14. QUEZELCO II	IV-A	0	0	11,056,683.47	0
15. BISELCO	IV-B	1,218,053.44	0	0	0
16. OMECO	IV-B	2,634,069.10	0	12,896,489.70	0
17. ORMECO	IV-B	0	0	53,471,447.92	1,022,631.95
18. PALECO	IV-B	69,232,350.64	47,917,953.52	49,617,319.46	39,821,324.76
19. ROMELCO	IV-B	0	0	18,564,311.93	0
20. CANORECO	V	0	0	7,674,880.30	6,086,687.90
21. CASURECO I	V	4,461,087.14	0	0	0
22. CASURECO II	V	0	0	776,640.48	0
23. CASURECO III	V	0	0	20,509,915.88	15,089,729.89
24. CASURECO IV	V	0	683,525.18	12,689,587.21	737,238.30
25. MASELCO	V	0	0	64,123,652.92	64,123,652.92
26. SORECO II	V	56,102,954.54	3,618,237.91	0	0
27. TISELCO	V	3,576,261.46	1,237,065.79	6,232,346.42	6,232,346.42
28. AKELCO	VI	47,300,667.70	12,975,974.28	13,500,000.00	1,943,082.37
29. ANTECO	VI	0	0	56,830,178.73	24,674,875.38
30. CAPELCO	VI	0	0	54,396,274.49	54,396,274.49
31. CENECO	VI	0	0	8,822,931.29	3,617,747.49
32. GUIMELCO	VI	0	0	9,612,027.72	420,094.59
33. ILECO I	VI	2,028,070.31	0	0	0
34. ILECO II	VI	0	0	22,923,579.09	22,923,579.09
35. ILECO III	VI	0	0	16,710,188.03	6,208,407.97
36. NOCECO	VI	31,276,369.57	4,554,938.09	0	0
37. NONECO	VI	35,837,864.53	3,053,013.90	0	0
38. BANELCO	VII	10,221,128.11	169,467.45	8,578,245.80	8,505,576.52
39. BOHECO II	VII	6,715,374.02	0	0	0

EC Name	Region	CY 2018 Releases	Unliquidated Balance from CY 2018 Releases	CY 2019 Releases	Unliquidated Balance from CY 2019 Releases
40. CEBECO I	VII	0	0	6,821,897.06	0.01
41. CEBECO II	VII	3,909,024.01	0	10,337,273.79	0
42. CELCO	VII	0	0	8,717,055.07	8,717,055.07
43. NORECO I	VII	54,779,854.76	5,598,006.15	13,182,005.04	13,182,005.04
44. NORECO II	VII	92,267,150.01	6,889,669.83	19,791,584.65	1,450,126.81
45. PROSIELCO	VII	0	0	122,832.28	0
46. BILECO	VIII	20,932,695.10	1,489,590.48	3,332,869.43	3,332,869.43
47. DORELCO/ LEYECO I	VIII	6,170,779.71	0	29,826,374.57	29,826,374.57
48. ESAMELCO	VIII	15,187,722.35	15,187,722.35	5,554,907.48	5,554,907.48
49. LEYECO III	VIII	14,544,805.79	4,449,797.89	0	0
50. LEYECO V	VIII	60,011,450.16	0	1,368,881.66	1,357,124.65
51. NORSAMELCO	VIII	10,526,643.41	0	6,833,330.75	0
52. SAMELCO II	VIII	11,348,844.78	0	1,615,016.49	0
53. SOLECO	VIII	10,503,516.23	2,563,812.30	16,734,290.58	16,734,290.58
54. ZAMSURECO I	IX	0	0	13,035,472.67	10,757,105.66
55. ZAMSURECO II	IX	0	0	40,856,560.54	40,856,560.54
56. ZANECO	IX	41,443,556.74	0	0	0
57. BUSECO	X	0	0	7,029,098.72	0
58. FIBECO	X	71,229,595.25	0	8,494,200.38	0
59. LANECO	X	11,287,589.56	0	9,645,783.46	0
60. MOELCI I	X	0	0	2,793,212.61	2,793,212.61
61. MORESCO I	X	2,827,284.50	0	0	0
62. MORESCO II	X	11,449,372.14	0	23,403,282.50	23,253,380.43
63. DANECO	XI	13,425,894.63	6,158.26	91,822,091.27	91,822,091.27
64. DASURECO	XI	3,881,463.62	0	41,311,730.20	41,311,730.20
65. DORECO	XI	0	0	49,024,535.59	46,859,140.41
66. COTELCO	XII	0	0	6,553,135.69	0
67. COTELCO PPALMA	XII	74,998,682.41	0	50,103,228.38	50,103,228.38
68. SOCOTECO I	XII	0	0	8,308,376.96	5,552,558.37
69. SOCOTECO II	XII	0	0	55,316,873.96	4,646,194.76
70. SUKELCO	XII	0	0	1,943,201.61	0
71. LASURECO	ARMM	0	0	256,037,673.95	256,037,673.95
72. MAGELCO	ARMM	46,193,192.96	5,687,226.07	0	0
73. SIASELCO	ARMM	13,855,767.85	11,376,829.91	0	0
74. SULECO	ARMM	16,331,034.08	0	20,125,414.85	20,125,414.85
75. ANECO	CARAGA	32,671,930.59	1,519,810.87	20,034,391.23	383,713.36
76. ASELCO	CARAGA	16,915,523.15	8,801,356.57	26,068,034.81	26,068,034.81
77. DIELCO	CARAGA	0	0	18,443,024.08	0
78. SIARELCO	CARAGA	1,533,635.88	0	6,021,126.49	0
79. SURSECO II	CARAGA	2,943,318.92	0	35,572,513.03	35,572,513.03
Grand Total		1,013,130,336.56	139,161,455.27	1,539,908,664.55	1,130,775,467.16

- ii. As shown from Table 3 above, the subsidy funds for releases from CY 2018 has an unliquidated balance of P139.161 million or 13.74 percent, while releases from CY 2019 has an unliquidated balance of P1.131 billion or 73.43 percent, both remain unliquidated as of December 31, 2020, contrary to Section 4 of MOA between NEA and ECs.

- iii. This implies that though NEA immediately released 90% of the total subsidy funds for the project, the ECs were not able to liquidate the funds within the timeline set as agreed in the MOA between NEA and ECs.
- iv. Furthermore, subsidies totaling P249.965 million or nine percent of the total unliquidated balance of P2.776 billion shown in Table 2 above on Aging of unliquidated subsidy fund, pertained to subsidy fund balances to 20 ECs from CYs 2009 to 2017 fund releases. The said balances should have already been returned to NEA since these have been long outstanding for more than three years and the corresponding project/s for the fund were already completed.

**c. Simultaneous and/or subsequent releases of subsidy funds despite unliquidated balances.**

- i. NEA released subsidy fund totaling P738.700 million to 31 ECs in CY 2020 though the previous years' subsidy fund balances were still unliquidated. Details are shown in Table 4 below:

**Table 4: ECs with Subsidy Releases in CY 2020 even with previous Unliquidated Balances**

EC Name	CY 2009-2017 (a)	CY 2018 (b)	CY 2019 (c)	Unliquidated as of CY 2019 (d=a+b+c)	CY 2020 Releases
1. ABRECO	9,042,248.71	0	10,000,000.00	19,042,248.71	15,686,000.00
2. AKELCO	140,133.02	12,975,974.28	1,943,082.37	15,059,189.67	76,755,499.48
3. ASELCO	667,978.79	8,801,356.57	26,068,034.81	35,537,370.17	17,675,405.58
4. BANELCO	0	169,467.45	8,505,576.52	8,675,043.97	3,288,511.27
5. BATANELCO	59,792,871.54	0	0	59,792,871.54	10,410,720.15
6. BENECO	0	1,381,298.47	0	1,381,298.47	104,972,358.27
7. BUSECO	334.09	0	0	334.09	46,322,513.08
8. CAGELCO II	0	0	20,922,189.84	20,922,189.84	68,110,166.62
9. CASURECO IV	0	683,525.18	737,238.30	1,420,763.48	23,988,291.05
10. DORELCO/ LEYECO I	0	0	29,826,374.57	29,826,374.57	3,359,690.99
11. ESAMELCO	1,536,688.10	15,187,722.35	5,554,907.48	22,279,317.93	5,869,195.70
12. GUIMELCO	0	0	420,094.59	420,094.59	8,776,302.06
13. ILECO II	0	0	22,923,579.09	22,923,579.09	691,525.13
14. ILECO III	0	0	6,208,407.97	6,208,407.97	26,445,817.94
15. ISELCO II	0	0	52,767,385.30	52,767,385.30	9,333,000.00
16. Kaelco	1,426,260.14	0	0	1,426,260.14	31,657,525.24
17. LASURECO	14,154,603.00	0	256,037,673.95	270,192,276.95	141,317,316.31
18. LEYECO V	0	0	1,357,124.65	1,357,124.65	6,327,586.06
19. MAGELCO	15,699,926.00	5,687,226.07	0	21,387,152.07	34,812,314.56
20. MORESCO II	0	0	23,253,380.43	23,253,380.43	3,105,170.92
21. NOCECO	0	4,554,938.09	0	4,554,938.09	8,880,638.44
22. NONECO	2,150,886.51	3,053,013.90	0	5,203,900.41	20,418,765.33
23. NUVELCO	0	0	6,982,117.40	6,982,117.40	5,450,682.06
24. PANELCO I	0	0	6,645,113.05	6,645,113.05	8,531,959.92
25. QUEZELCO I	0	0	11,756,602.34	11,756,602.34	2,062,363.49
26. SIASELCO	0	11,376,829.91	0	11,376,829.91	2,179,398.65
27. SOCOTECO I	0	0	5,552,558.37	5,552,558.37	959,212.28
28. SOCOTECO II	7,688,250.00	0	4,646,194.76	12,334,444.76	35,495,719.82

EC Name	CY 2009-2017 (a)	CY 2018 (b)	CY 2019 (c)	Unliquidated as of CY 2019 (d=a+b+c)	CY 2020 Releases
29. SOLECO	0	2,563,812.30	16,734,290.58	19,298,102.88	2,001,322.64
30. SULECO	0	0	20,125,414.85	20,125,414.85	10,711,274.13
31. TAWELCO	14,139,521.02	0	0	14,139,521.02	3,103,807.65
Grand Total	126,439,700.92	66,435,164.57	538,967,341.22	731,842,206.71	738,700,054.82

- ii. Table 4 above showed that 31 ECs with an initial release of 90 percent for new project(s) in CY2020 have unliquidated balances totaling P731.842 million or 48.15 percent of the total due for liquidation even with an unliquidated balance of subsidy contrary to Section 4.5.6 of COA Circular No. 2007-001 and NEA Memoranda Nos. 2018-001 and 2019-001.
  - iii. The simultaneous and/or subsequent releases of subsidy funds, despite unliquidated balances, were not in accordance with Section 4.5.6 of COA Circular No. 2007-001 and NEA Memorandum Nos. 2018-001 and 2019-001 - Policy Guidelines on the Implementation of SEP (Phase 2- Grid Connection) and STEP.
  - iv. To attain the NEA's targeted projects to be implemented by ECs, the afore-mentioned guidelines, rules, and regulations have to be followed in the release of funds to NGOs/POs.
- d. **The adjustments reported in the Status of Fund Transfer as of December 31, 2020 remained unadjusted in the books.**
- i. The amount of P22,529.78 due from PANELCO I was already returned to NEA as reported in the Status of Fund Transfer as of December 31, 2020 but was not recorded in the books under the *Due from NGO/POs* account, hence, adjustments were not yet reflected in the respective Subsidiary Ledger (SL), to wit:

**Table 5: Adjustment as per Status Report of Fund Transfer**

Account Used	Name of NGO/PO	Unliquidated Amount	Remarks Indicated in the Status Report of Fund Transfer
139-014	Pangasinan I Electric Cooperative, Inc. (PANELCO I)	22,529.78	For reconciliation to e-NGAS; Returned per OR#7893774
<b>Grand Total</b>		<b>22,529.78</b>	

- ii. Also, unliquidated balances from two ECs totaling P6.994 million are adjustments made in the *Due from NGO/POs* account for the amount to be return/refund by the ECs based on the previous audit, details in Table 6 below:

**Table 6: Amount for return based on audit findings**

<b>Account Used</b>	<b>Name of NGO/PO</b>	<b>Unliquidated Amount</b>
139-008	Kalinga Apayao Electric Cooperative, Inc. (KAELCO)	1,426,260.14
139-005	Ticao Electric Cooperative, Inc. (TISELCO)	3,203,466.40
139-007	TISELCO	888,039.81
139-008	TISELCO	1,475,790.98
<b>Grand Total</b>		<b>6,993,557.33</b>

- iii. The amount of P6.994 million that was unexpended should be returned to NEA immediately by the ECs.
- iv. Had those adjustments were taken up in the books, the unliquidated subsidy balance could have been properly adjusted, corrected, and/or reduced accordingly.
- v. In the light of the foregoing, the balance of unliquidated subsidies shown in the ending balance of the *Due from NGO/POs* account should only reflect the subsidy releases made during the current year, which are the subsidies not yet due for liquidation. Thus, following the aforementioned guidelines and COA memoranda, the balance of the *Due from NGO/POs* account at the end of CY 2020 should only be P1.256 billion, which is the subsidy releases made during the current year.

**5.8 We reiterated our recommendations that Management:**

- a. **Enforce the provisions of Section 4.5.6 of COA Circular No. 2007-001, Item No. 6 of NEA Memorandum No. 2018-00 and Item No. 3 of NEA Memorandum No. 2019-001 by requiring ECs to liquidate any prior/previous subsidy fund received before making another fund release(/s);**
- b. **Require the concerned ECs to comply strictly with Section 4 of the MOA as agreed by NEA and ECs by compelling them to:**
  - i. **Liquidate immediately the subsidy fund totaling P1.520 billion which are already due for liquidation by submitting all the required liquidation documents such as Certificate of Final Inspection and Acceptance (CFIA) and Accounting of Funds (AFs) with supporting documents to validate the charges made to the subsidy fund and such other documents to facilitate the closing of the books of both NEA and the ECs;**
  - ii. **Liquidate the unliquidated balances from the 90 percent initial release totaling P139.161 million and P1.131 billion subsidy funds releases from CYs 2018 and 2019, respectively;**
  - iii. **Return the unliquidated balances of P249.965 million outstanding for more than 3 years and already deemed overdue for liquidation;**



- c. Address immediately the amounts for adjustments noted in the Status Report submitted to COA to bring the Due from NGO/POs account to its correct balance and return the unexpended balance of P6.994 million.**

5.9 Management commented that because of travel restrictions, the conduct of NEA inspection and acceptance for completed projects was affected. NEA issued Memorandum to all ECs dated August 26, 2020 re: Conduct of Final Inspection and Acceptance under the new normal. Also, NEA-Total Electrification and Renewable Energy Development Department (TEREDD) conducted regional meetings to address issues on project inspection, certification, and liquidation.

- a. On January 14, 2021, NEA conducted a virtual meeting with ECs with unliquidated subsidies per Memorandum dated January 12, 2021.

On March 11, 2021, NEA issued a Memorandum to all ECs re: Liquidation of subsidy funded projects based on COA letter dated March 5, 2021 on Checklist of Documentary Requirements for the liquidation of subsidy funds released to ECs.

- i. Out of P1.520 billion, a total of P327.328 million have been liquidated, leaving a balance of P1.193 billion as of May 31, 2021.

The amount of P442.627 million cannot be liquidated because the projects are still ongoing while P425.664 million completed projects are still under evaluation and for issuance of CFIA. The amount of P205.607 million is for liquidation/return and P118.675 million are still for submission of AFs.

- ii. Some of the balances were already liquidated in CY 2021.
- iii. Out of 249.965 million, a total of P35.253 million was already liquidated leaving a balance of P214.712 million as of May 31, 2021.
- iv. NEA sent a Memorandum to FSD requesting the adjustment of KAELCO's Subsidiary Account; the amount of P1.413 million was previously posted to SL Account No. 684 instead of SL No. 139-008-02-005.

5.10 As a rejoinder, validation of the submitted schedules of liquidated subsidy balance from January to May 2021 totaling P327.328 million from the 39 ECs disclosed that as of May 31, 2021, only a total of P282.086 million was liquidated as per e-NGAS, summarized on the next page:

Month	Amount Liquidated per e-NGAS	No. of JEV
January	89,079,187.86	20
February	102,184,060.26	31
March	47,810,207.26	10
April	43,012,970.43	6
May	0	0
<b>TOTAL</b>	<b>282,086,425.81</b>	<b>67</b>

Likewise, verification from the e-NGAS, a total amount of P39.416 million was not liquidated as of May 31, 2021, which is contrary to what was commented by the Account as liquidated, detailed as follows:

No.	EC Name	Region	Purpose	Unliquidated Amount
1	INEC	I	Calamity Fund for Typhoon Ompong	16,132,891.97
2	BENECO	CAR	Installation of housewiring for 32 sitios	1,381,298.47
3	AKELCO	VI	Installation of HW for one sitio	140,133.02
4	ILECO III	VI	Construction of DX line for 19 sitios	348,770.04
		VI	Installation of HW for 19 sitios	1,759,669.39
5	NONECO	VI	Installation of HW line for 26 sitios	2,980,250.26
6	NORECO II	VI	Construction of NHA Yolanda (2 RS)	2,150,886.51
7	BILECO	VII	Construction of DX Lines one barangay	696,358.32
8	ZAMSURECO II	VIII	Construction of NHA Yolanda - 6 RS	786,181.21
9	ZAMCELCO	IX	Construction of DX line for one barangay	3,149,648.15
10	BUSECO	IX	Construction of DX line for 15 sitios	2,049,706.61
11	MOELCI I	X	Construction of DX line for 40 sitios	334.09
		X	Installation of Housewiring for 5 sitios	252,907.39
		X	Construction of DX lines for 5 sitios	2,540,305.22
12	MAGELCO	ARMM	Construction of DX line for 40 sitios	5,046,246.39
Total				39,415,587.04

NEA needs to attain the targeted projects to be implemented by ECs, however, we reiterate our recommendations to enforce the provisions on Section 4.5.6 of COA Circular No. 2007-001, Item No. 6 of NEA Memorandum No. 2018-001 and Item No. 3 of NEA Memorandum No. 2019-001 by requiring ECs to liquidate any prior/previous subsidy fund received before making another fund release/s.

Compliance with the recommendations will be monitored to ensure its implementation.

- The Accounting of Funds (AF) of six ECs in Bangsamoro Autonomous Region for Muslim Mindanao (BARMM) for the implemented 65 projects under regular subsidy, SEP, BLEP, Housewiring Program, Metering Program, Calamity Grant, and Marawi Siege projects with reported unexpended/unutilized balance totaling P39.216 million were not immediately returned/remitted upon liquidation due to NEA's non-enforcement of Section 7 of the MOA.**

**Also, deficiencies/discrepancies were noted on the liquidation supporting documents of six ECs, resulting in the increase of the reported unexpended**

balance by P499.328 million and the same was not returned/remitted to NEA contrary to Section 4.5.6 of COA Circular No. 2007-001, Sections 2 and 7 of the MOA and NEA Memorandum No. 2013-023.

Unexpended balance aggregating P628.583 million or 69.53 percent of ECs audited in CYs 2014 to 2019 remained unreturned to NEA.

**This is a reiteration of previous audit findings.**

6.1 Our audit is guided with the following provisions of the MOA that provides that:

Section 2 - *THE RECIPIENT shall use the funds, which may be in the form of materials and equipment requisitioned, cost of labor and peso releases requested by the RECIPIENT from NEA, solely and exclusively for the project(s) adverted to in Schedule A, and in no case diverted or used for purposes unrelated to said projects such as but not limited to money market placements, and other related forms of investments not related to the project, payments for amortization on loans and/or credit accommodations obtained by the RECIPIENT from creditors, payment of power bills, salaries, wages, honoraria and other similar benefits of RECIPIENT'S regular personnel. xxx.*

Section 7 - *It is agreed that all amount in excess of total disbursements and cost of unimplemented project including interest earned thereon shall be returned/remitted to NEA or the Recipient may request written authority from NEA to use the savings/balance as well as interest accruing to the fund for activities allied to the project, within one (1) month after final inspection of NEA.*

- a. NEA Memorandum No. 2013-023 dated October 10, 2013 provides for the submission of original documents to support the liquidation of subsidy funds. It categorically enumerates the documents needed to support the liquidation of subsidies received for the electrification projects.

6.2 Examination of the AF of the liquidated projects implemented disclosed the following:

- a. **The reported unexpended/unutilized balance totaling P39.216 million in the AF of six ECs was not immediately returned/remitted upon liquidation.**

The submitted AFs of the six ECs already reported an unexpended/unutilized balance of P39.216 million upon liquidation. However, ECs did not immediately

return the unexpended balance due to NEA's non-enforcement of Section 7 of the MOA. Hence, deprived the government of funds to utilize for other related projects. Details are shown in Table 7 below:

**Table 7: Fund Utilization per EC's AF**

Name of EC	No. of Proj.	Subsidy	Expensed/	Per EC's AF	
		Receipts A	Disbursed B	Unexpended C	Deficit
1. MAGELCO	23	589,989,418.32	324,101,228.07	20,568,128.37	(5,034,218.96)
2. BASELCO	14	136,031,326.23	145,571,664.42	158,132.94	(9,698,471.13)
3. LASURECO	5	211,461,883.80	210,682,123.23	7,509,304.36	(6,729,543.79)
4. SULECO	9	65,102,445.43	61,673,003.87	7,392,994.53	(3,963,552.97)
5. TAWELCO	10	58,990,127.28	65,328,286.07	3,191,008.52	(9,529,167.31)
6. SIASELCO	4	35,714,408.07	35,735,722.13	396,030.27	(417,344.33)
	65	1,097,289,609.13	843,092,027.79	39,215,598.99	(35,372,298.49)

*Note: Excess of expenditures/subsidy deficit with 100% fund received from NEA is charged to EC's and is not offset against unexpended balance.*

**Deficiencies were noted on the liquidation supporting documents of six ECs resulting in the increase of the reported unexpended balance by P499.328 million.**

- i. Review of the subsidy fund for the 65 projects revealed an increase of unexpended balance from P39.216 million to P587.517 million which remained unreturned/unremitted to NEA as of January 1, 2020. Based on the recommendation of the previous year audit, the Management submitted additional liquidation documents totaling P48.973 million to support the above liquidation of several projects implemented by BASELCO, SULECO, and SIASELCO which reduces the unexpended balance from P587.517 million to P538.544 million, summarized as follows:

**Table 8: List of BARMM ECs with Unexpended Balance as of 12.31.2020**

Name of EC	No. of Project	Remaining	Adjustments due to	Remaining
		Unexpended Balance 01.01.2020 a	validation of additional documents b	Unexpended Balance 12.31.2020 c=(a-b)
1. MAGELCO	23	306,393,229.46	0.00	306,393,229.46
2. BASELCO	14	72,490,551.11	47,826,536.52	24,664,014.59
3. LASURECO	5	129,753,725.50	0.00	129,753,725.50
4. SULECO	9	25,468,729.85	642,536.57	24,826,193.28
5. TAWELCO	10	43,958,385.59	0.00	43,958,385.59
6. SIASELCO	4	9,452,508.82	503,991.29	8,948,517.53
Total	65	587,517,130.33	48,973,064.38	538,544,065.95

- ii. Significant deficiencies which contributed to the increase of unexpended or unutilized balance not returned/remitted to NEA, which were not compliant with Section 2 of the MOA and NEA Memorandum No. 2013-023, are enumerated below:

- Expenses not supported or lacking proper documentation such as liquidation reports, disbursement vouchers, Materials Charge Tickets (MCTs)/Materials Credit Tickets (MCTs), Service Contract, Bid Documents, Bill of Materials, List of beneficiaries, payrolls, official receipts, check vouchers and Contract of Labor; the liquidation of cash advances, receiving and delivery reports;
- Absence/lacking of supporting documents to validate the charged disbursements;
- Discrepancy in the amount of actual costs against the amount charged to AFs;
- Check vouchers (CVs) were charged instead of the MCTs;
- Excess of allowed P2,500 housewiring materials and labor per household;
- Uninstalled electrical materials;
- Disbursements incurred after or beyond the project completion and energization date; and
- Non-allowable charges such as excess of BAC allowances, PBAC honorarium, employee incentives, purchased of laptops, software, emergency lights, T-shirt expenses, visitors' accommodation, meal allowances, rental of a sound system, and other costs not related to the projects.

**b. Unexpended balance totaling P628.583 million or 69.53 percent for CYs 2014 to 2019 remain unreturned to NEA**

- i. Forty-two ECs audited in CYs 2014 to 2019 had an unexpended balance aggregating to P628.583 million or 69.53 per cent remained in EC's custody and not yet remitted/returned to NEA as of December 31, 2020, details are shown in Table 9:

**Table 9: List of ECs audited in CY 2014 to 2019**

No.	Name of EC	Unexpended Balance as of Year Audited	Unexpended Fund Balance as of 1.1.2020	Amount Returned in CY 2020	Unexpended Fund Balance 12.31.2020	% of Remaining Over Original Amount of Unexpended Balance
		a	b	c	d=(b-c)	e=(d/a)
CY 2019						
1	CASURECO I	41,006,966.35	40,986,157.01	7,287.50	40,978,869.51	99.93
2	CASURECO II	3,419,179.90	1,287,969.56	0.00	1,287,969.56	37.67
3	CASURECO III	7,438,666.44	6,548,473.26	0.00	6,548,473.26	88.03
4	CANORECO	21,827,237.34	19,643,518.58	6,018,188.85	13,625,329.73	62.42
5	SORECO II	61,055,205.29	52,924,696.67	0.00	52,924,696.67	86.68
6	SAMELCO II	73,927,899.30	58,785,707.40	236,024.78	58,549,682.62	79.20
7	DORECO	79,314,340.46	33,887,662.49	2,105,644.40	31,782,018.09	40.07
8	PELCO I	1,553,473.88	223,901.08	0.00	223,901.08	14.41
TOTAL-2019		289,542,968.96	214,288,086.05	8,367,145.53	205,920,940.52	

No.	Name of EC	Unexpended Balance as of Year Audited	Unexpended Fund Balance as of 1.1.2020	Amount Returned in CY 2020	Unexpended Fund Balance 12.31.2020	% of Remaining Over Original Amount of Unexpended Balance
		a	b	c	d=(b-c)	e=(d/a)
CY 2018						
9	ISELCO I	26,385,671.20	23,797,342.99	0.00	23,797,342.99	90.19
10	MORESCO II	26,157,527.48	4,639,464.98	0.00	4,639,464.98	17.74
11	SOLECO	17,142,591.65	8,047,980.70	0.00	8,047,980.70	46.95
12	SURSECO II	7,075,732.27	7,050,732.27	0.00	7,050,732.27	99.65
TOTAL-2018		76,761,522.60	43,535,520.94	0.00	43,535,520.94	
CY 2017						
13	OMEKO	17,253,820.66	14,420,100.08	0.00	14,420,100.08	83.58
14	BOHECO II	13,240,076.72	7,209,238.24	5,720,056.49	1,489,181.75	11.25
15	NOCECO	9,970,213.35	6,818,820.12	0.00	6,818,820.12	68.39
16	BENECO	7,200,866.34	2,674,044.28	0.00	2,674,044.28	37.14
17	ILECO I	5,089,175.65	5,089,175.65	0.00	5,089,175.65	100.00
18	LUBELCO	8,337,722.45	5,144,712.81	500,000.00	4,644,712.81	55.71
TOTAL-2017		61,091,875.17	41,356,091.18	6,220,056.49	35,136,034.69	
CY 2016						
SEP/BLEP:						
19.a	LEYECO III*	6,436,751.37	5,620,546.88	0	5,620,546.88	87.32
20.a	DORELCO	2,954,274.05	795,556.86	0	795,556.86	26.93
21	LEYECO V	18,544,506.82	11,395,666.88	0	11,395,666.88	61.45
22	BATELEC I	848,815.00	4,515.02	0	4,515.02	0.53
23	ZAMSURECO I	43,925,936.64	8,370,855.77	0	8,370,855.77	19.06
24	DASURECO	9,665,611.41	2,014,678.52	0	2,014,678.52	20.84
Sub Total		82,375,895.29	28,201,819.93	0.00	28,201,819.93	
YRRP						
19.b	LEYECO III*	77,851,469.50	77,851,469.50	0	77,851,469.50	100.00
20.b	DORELCO	195,471,330.25	194,866,284.98	0	194,866,284.98	99.69
25	LEYECO IV	1,985,746.15	1,985,746.15	0	1,985,746.15	100.00
Sub Total		275,308,545.90	274,703,500.63	0	274,703,500.63	
TOTAL-2016		357,684,441.19	302,905,320.56	0.00	302,905,320.56	
CY 2015						
26	ANECO	6,426,697.30	1,815,841.74	0.00	1,815,841.74	28.25
27	ANTECO	6,001,211.20	1,912,936.47	0.00	1,912,936.47	31.88
28	COTELCO	38,100,462.35	4,232,080.49	0.00	4,232,080.49	11.11
29	GUIMELCO	345,822.31	204,850.00	0.00	204,850.00	59.24
30	ILECO II	17,259,263.19	10,775,333.79	0.00	10,775,333.79	62.43
31	NONECO	1,673,589.08	1,608,797.66	0.00	1,608,797.66	96.13
32	NORECO I	12,266,019.24	11,816,836.84	1,674,094.57	10,142,742.27	82.69
33	ROMELCO	4,810,517.70	1,196,128.38	0.00	1,196,128.38	24.86
34	SURNECO	4,069,715.17	48,783.33	0	48,783.33	1.20
35	BISELCO	2,703,898.77	2,248,831.41	0.00	2,248,831.41	83.17
36	SOCOTECO I	2,136,865.40	943,272.64	0.00	943,272.64	44.14
TOTAL-2015		95,794,061.71	36,803,692.75	1,674,094.57	35,129,598.18	
CY 2014						
37	MASELCO	11,298,644.00	1,499,316.51	0.00	1,499,316.51	13.27
38	NEECO II A2	2,679,817.00	545,074.46	0.00	105,076.53**	3.92
39	BATANELCO	1,144,998.00	360,146.31	0.00	360,146.31	31.45

No.	Name of EC	Unexpended Balance as of Year Audited	Unexpended Fund Balance as of 1.1.2020	Amount Returned in CY 2020	Unexpended Fund Balance 12.31.2020	% of Remaining Over Original Amount of Unexpended Balance
		a	b	c	d=(b-c)	e=(d/a)
40	AKELCO	1,084,314.00	1,084,314.00	0.00	1,084,314.00	100.00
41	PANELCO I	1,054,893.00	199,211.50	0.00	199,211.50	18.88
42	SURSECO I	5,958,857.73	2,707,283.71	0	2,707,283.71	45.43
	TOTAL-2014	23,221,523.73	6,395,346.49	0.00	5,955,348.56	
	GRAND TOTAL	904,096,393.36	645,284,057.97	16,261,296.59	628,582,763.45	69.53

\* submitted post facto approved by NEA amounting to P86.234 million, however, documents are subject to COA's validation.

\*\*submitted additional liquidation documents of which the amount of P459,567.88 was considered in COA's validation.

ii. As shown on the preceding table, there are 42 ECs with unexpended balance from the ECs audited in CYs 2014 to 2019 totaling P645.284 million as of January 1, 2020, however, only the amount of P16.261 million were returned to NEA on various dates of CY 2020. Thus, as of December 31, 2020, the unexpended balance amounting to P628.583 million or 69.53 percent of the original unexpended balance remained in the possession of the concerned ECs.

iii. Although several ECs submitted their revised AFs or approved realignment, these cannot be considered as an outright deduction from their unexpended balance as this requires prior validation/submission of supporting liquidation documents.

**6.3 We reiterated our previous recommendations that Management require ASD to:**

- a. **Enforce strictly Section 7 of the MOA by requiring the concerned ECs to returned immediately to NEA the unexpended balance of P39.216 million reported in AF upon liquidation and furnish COA with a photocopy of the Official Receipt, for validation;**
- b. **Require the BARMM ECs to submit the required documents for validation of the charges made in the AFs together with the supporting schedule of the AFs, with soft and hard copy properly label for easy verification and adjustment of the total unexpended balances. Otherwise, require the return to NEA of the total amount of P499.328 million;**
- c. **Require the 42 ECs audited in CYs 2014 to 2019 to return and/or remit immediately the remaining unexpended balances of P628.583 million;**
- d. **Direct the ECs to ensure that only related/allowable expenses are to be charged in the AFs; and**

**e. Monitor the timely return of the unexpended balance on the AFs submitted by ECs upon their liquidation.**

6.4 Management submitted the following comments:

- a. As of May 31, 2021, LASURECO, SIASELCO, and MAGELCO returned the amount of P3.750 million, P396.000, and P5.050 million, respectively. LASURECO issued 12 post-dated checks amounting to P0.625 million for the return of P7.500 million; and
- b. NEA already required the 42 ECs to return and remit immediately the remaining unexpended balances as required by COA. The ECs reply was endorsed to COA for reconsideration. As of May 31, 2021, the amount of P14.012 million was already returned to NEA.

6.5 Our verification showed that of the returned subsidy amount totaling P14.012 million, a total amount of P10.952 million from three ECs were already considered in CYs 2016 and 2018 and that the amount of P15.130 million are returned subsidy funds from January to July 28, 2021 as follows:

Year Audited	EC Name	Remaining Unexpended Balance 01/01/2021	Return in CY 2021	Remaining Unexpended Balance 07/28/2021
2019	SORECO II	52,924,696.67	1,524,198.40	51,400,498.27
2017	LUBELCO	4,644,712.81	780,000.00	3,864,712.81
2016	LEYECO III	5,620,546.88	951,125.56	4,669,421.32
2016	BATELEC I	4,515.02	4,515.02	0.00
2016	LEYECO V	11,395,666.88	11,395,666.88	0.00
2015	BISELCO	2,248,831.41	369,021.26	1,879,810.15
2014	NEECO II-Area 2	105,076.53	105,076.53	0.00
<b>TOTAL</b>		<b>76,944,046.20</b>	<b>15,129,603.65</b>	<b>61,814,442.55</b>

Management compliance will be monitored to ensure its implementation.

**7. Deficiencies were noted due to poor monitoring and management on the grant and liquidation of the subsidy fund to Cagayan de Sulu Electric Cooperative, Inc. (CASELCO) amounting to P25.112 million released in CY 2015 for the implementation of the expansion of lines to 26 sitios under the 2011 Disbursement Acceleration Program (DAP) - Transition Investment Support Program (TISP), hence, not compliant with the NEA guidelines on documentary requirements and MOA between NEA and CASELCO, to wit:**

- a. **The subsidy fund with an approved project cost of P25.112 million remain unliquidated as of audit date;**
- b. **Projects from the subsidy fund released amounting to P22.006 million for the 23 sitios were not implemented but the fund was not returned to NEA, contrary to the MOA executed between NEA and EC; and**
- c. **Expansion of lines to seven sitios were implemented but four of which were not the approved sitios which was not compliant with Section 2 of the MOA.**



**Also, the implementation was delayed for 747-768 days or more than two years.**

**This is a reiteration of our previous audit findings.**

7.1 Mapun, Tawi-Tawi under the coverage area of the CASELCO was among the subsidy recipient of the 2011 DAP under the TISP for the BARMM. The subsidy fund totaling P200 million was received by the NEA from the National Government (NG) on February 9, 2012. Of this fund, the amount of P25.112 million was allocated and released to CASELCO, details as follows:

Particulars	JEV No.	Check		Gross Amount	Remarks
		No.	Date		
1. The initial release of 2011 TISP Fund to the cover cost of materials and labor for line expansion to 26 sitios in the Municipality of Mapun, Cagayan de Sulu	2012-04-003513	326983	4/25/2012	12,146,598.08	This check became stale and the journal entry was reversed on January 31, 2014 only.
2. One time release/ 100 percent/ of 2011 TISP for the construction of lines to 26 sitios	2015-02-000936	368560	2/18/2015	25,112,408.01	

7.2 Examination of the subsidy released to CASELCO disclosed the following:

**a. The subsidy fund with an approved project cost of P25.112 million remains unliquidated as of the audit date.**

- i. Verification from the e-NGAS disclosed that JEV No. 2012-04-003513 amounting to P12.147 million was processed and Check No. 326983 was generated on April 25, 2012 for the initial release of 50 percent of the subsidy fund for the line expansion to 26 sitios in the Municipality of Mapun, Cagayan de Sulu. However, said check became stale and the journal entry was reversed on January 31, 2014, but no records on file are found in COA Office.
- ii. From June to July 2014, the Management reprocessed the release of subsidy fund for the same project and prepared Check No. 368560 dated February 18, 2015 amounting to P24.263 million (net of service charge) representing one-time or 100 percent release of the allocated cost for the construction of 26 sitios. The documents submitted to this Office to support the release of funds to CASELCO printed from the e-NGAS are the following:
  - Original Journal Voucher (JV),
  - Photocopy of Disbursement Voucher (DV) dated November 24, 2014;
  - Photocopy of Budget Utilization Request (BUR) dated June 16, 2014; and

- Photocopy of the check with stamped “unclaimed”.
- iii. The subsidy check was deposited at the Land Bank of the Philippines (LBP) for the account of CASELCO with a validation date of August 13, 2015 together with OR No. 11692 dated July 10, 2015.
  - iv. However, the original copy of the above-listed documentary requirements was not attached to the JV and DV.
  - v. The TEREDD informed that they have no records on file nor a report such as Status of Project or Inspection Report except for the photocopies of Request for Release of Construction Fund (RRCF) and NEA Engineering Evaluation of the Project.
  - vi. On July 1, 2014, the Supreme Court declared the DAP as unconstitutional, however, the NEA continued to reprocess and released the fund to CASELCO since it was already allocated. The release of the subsidy fund was one-time or 100 percent of the amount per MOA.
  - vii. CASELCO has six months to implement the rural electrification/rehabilitation project from receipt of subsidy fund from NEA on August 13, 2015. Also, upon completion of the project, the ECs have six months to liquidate the subsidy fund including the close-out of the project or a maximum of 12 months or one year from receipt of the subsidy fund provided that an application for extension of project implementation is approved.
  - viii. In its letter dated December 13, 2018, NEA requested the CASELCO OIC-General Manager for information on the status/development of the project. On February 12, 2019, the CASELCO Board President and Board Secretary wrote an appeal to the NEA Administrator to intervene in his capacity in the investigation of the mismanagement undertaken by the 52nd Engineer Brigade involving the non-implementation of the 23 sitios.
  - ix. The unliquidated subsidy fund amounting to P25.112 million should have already been returned to NEA since it was already long outstanding for more than three years and the said project should have already been implemented.
- b. Projects from the subsidy fund released amounting to P22.006 million for the 23 sitios were not implemented but the fund was not returned to NEA, contrary to Section 7 of the MOA executed between NEA and EC.**
- i. Based on the Report of Completed and Energized Sitios as of December 31, 2018, only three sitios were implemented. Below are the sitios within the area coverage of CASELCO that were not implemented:

<b>Unimplemented Sitios</b>	<b>Allocated Cost</b>
1. Boulevard, Liyubud, Mapun	689,824.16
2. Takot-takot, Liyubud, Mapun	684,742.58
3. Landing, Liyubud, Mapun	716,800.76
4. Linggisan, Liyubud, Mapun	570,184.76
5. Liu-bud, Liyubud, Mapun	725,506.36
6. Santolan, Lupa-pula, Mapun	706,495.62
7. Pitugo, Mahalu, Mapun	697,116.90
8. Pandan Pandan, Mahalu, Mapun	721,483.22
9. Siyatab, Mahalu, Mapun	1,045,553.10
10. Ungos-Ungos, Mahalu, Mapun	1,031,662.73
11. Danao, Mahalu, Mapun	973,908.15
12. Bellea, Mahalu, Mapun	1,045,553.10
13. Tumandog, Lubbakparang, Mapun	1,020,407.57
14. Taggop, Lubbakparang, Mapun	1,023,451.11
15. Sipahu, Lubbakparang, Mapun	1,059,105.29
16. Bohon Siluk, Lubbakparang, Mapun	1,155,876.60
17. Sapah, Lubbakparang, Mapun	1,637,927.70
18. Simbahan, Lubbakparang, Mapun	1,146,612.02
19. Batu-batu, Boki, Mapun	1,163,068.03
20. TongTambak, Tanduan, Mapun	983,082.78
21. Tong-tong, irok-irok, Mapun	1,149,981.47
22. Siyabon, Sikub, Mapun	1,012,128.77
23. Batutay, Guppah, Mapun	1,045,430.14
<b>Total</b>	<b>22,005,902.92</b>

- ii. The requested Status Report of the project as of December 31, 2020 was not submitted to this Office up to the audit date. According to the concerned personnel of TEREDD an updated report could not be provided since the scheduled conduct of inspection in March 2020 was not push through due to community quarantine brought by COVID-19 Pandemic.
  - iii. The unimplemented sitios were confirmed by the CASELCO's OIC-General Manager in her letter to the Commanding Officer of the 545th Engineer Brigade, Philippine Army, Cabatangan Complex, Cabatangan, Zamboanga City stating "*We have learned that the remaining funds for the electrification project had already been liquidated, procurement had taken place but there was no delivery of materials to Mapun*".
  - iv. In addition, CASELCO submitted to NEA Resolution No. 2 Series of 2019 dated April 4, 2019, requesting the Commanding Officer of the Philippine Army for the immediate investigation of the mismanagement of funds in the implementation of the SEP in Mapun, Tawi-Tawi.
  - v. Considering the foregoing, the allocated cost of P22.006 million for the 23 unimplemented sitios must be returned to NEA in compliance with Section 7 of the MOA.
- c. Expansion of lines to seven sitios were all implemented but four of which are not on the approved sitios. Also, the implementation was delayed by 747-768 days or more than two years.**

i. Section 3 of the MOA between NEA and CASELCO requires that:

*x x x The project(s) should be implemented and completed within six (6) months after receipt of the subsidy appropriations by the Recipient from NEA, or at later date agreed upon between the two parties.*

- ii. Section 1.3 of the MOA between CASELCO and AFP provides that the project must be completed and energized within the period of 120 days upon receipt of the notice to proceed.
- iii. The subsidy check was deposited at the Land Bank of the Philippines (LBP) under the account of CASELCO with a validation date of August 13, 2015 together with OR No. 11692 dated July 10, 2015. In addition, the OIC-General Manager of CASELCO stated in her letter addressed to the Commanding Officer of the 545th Engineer Brigade, Cabatangan Complex, Cabatangan, Zamboanga City that the start of implementation of the project was on January 30, 2018.
- iv. Based on the List of Completed/Energized Projects for CY 2018 as reported by the TEREDD, there were seven completed/implemented projects out of 26 sitios, details as follows:

Approved List of Sitio	Allocated Cost	Report on List of Completed/Energized Projects for CY 2018		
		Implemented	Date Completed	Date Energized
1. Sannah, Tabulian, Mapun	1,145,124.49	Sannah, Tabulian, Mapun	3/20/2018	-
2. Sipasi, Kompang, Mapun	978,550.13	Sipasi, Kompang, Mapun	3/12/2018	3/14/2018
3. Marang, Duhul-bato, Mapun	982,830.45	Marang, Duhul-bato, Mapun	2/27/2018	3/3/2018
Sub total	3,106,505.07			
4. Landing, Liyubud, Mapun	716,800.76	Landing, Duhul Bato, Mapun	2/27/2018	3/3/2018
5. Belleian, Mahalu, Mapun	1,045,553.10	Belleian, Duhul Bato, Mapun	2/27/2018	3/3/2018
6. Pandan Pandan, Mahalu, Mapun	721,483.22	Pandan pandan, Duhul Bato, Mapun	2/27/2018	3/3/2018
7. Batu-batu, Boki, Mapun	1,163,068.03	Batu-batu, Duhul Bato, Mapun	2/27/2018	3/3/2018
Sub total	3,646,905.11			
Total	6,753,410.18			

v. The CASELCO/AFP reported seven sitios completed as of March 20, 2018. However, the four implemented sitios were not included in the approved sitios as indicated in the MOA. The implemented So. Landing, So. Belleian, So. Pandan-Pandan and So. Batu-Bato, although with the same name under the approved sitios, but the barangay locations were different. These are not the exact location as indicated in

the MOA. Hence, only three sitios are considered as implemented and the allocated cost of the four sitios are to be returned to NEA.

- vi. The report submitted by the AFP to CASELCO on the realigned and completed So. Landing, So. Belleau, So. Pandan-Pandan and So. Batu-Bato with allocated cost totaling P3.647 million were approved by CASELCO dated June 16, 2017, its implementation without prior approval from NEA is not compliant with Section 2 of the MOA which requires that the recipient shall use the funds and releases requested by the recipient from NEA solely and exclusively for the projects adverted to in Schedule A.
- vii. Likewise, there was a big gap of delay ranging from 747-768 days or more than two years in which the project should be implemented as agreed in the MOA between NEA and CASELCO and CASELCO and AFP, respectively.
- viii. The Table below showed the number of days delayed for the seven implemented sitios based on the date of check released to CASELCO on August 13, 2015 and the available data submitted by TEREDD on the Report of Completed and Energized Sitios as of December 31, 2018.

Date of Release of Subsidy Fund	Date Should be Completed	Date Completed*	No. of Days Delayed *
8/13/2015	2/9/2016	2/27/18 -3/20/18	747-768

*\*Seven sitios implemented but only three sitios were approved.*

- ix. The delayed implementation of the aforementioned sitios was not compliant with the MOA between NEA and CASELCO which deprived the intended beneficiaries of the electrification program to uplift the lives of the rural people.
- x. Moreover, Section 6 of the MOA provides a sanction for failure to comply with the provisions of the MOA, to wit –

*NEA shall institute appropriate actions and/or may suspend the release of the subsidy fund in the event of failure of the RECIPIENT to strictly comply with the provisions of this agreement.*

However, there is no sanction made on CASELCO's not complying with the provisions of the MOA specifically the timeline set for implementation and liquidation of the subsidy fund receipt.

**7.3 We reiterated our recommendations that Management:**

- a. **Require TEREDD and ASD to demand the immediate liquidation of subsidy released amounting to P25.112 million and submit all the required liquidation documents including CFIA, AF along with the supporting documents such as but not limited to official receipts,**

***disbursement vouchers, cash advances made by AFP personnel and its liquidation in hard and soft copy, properly labeled for easy verification on the charges made against the subsidy fund;***

- b. Institute legal action against the officials who favorably approved the implementation by other government agencies but failed to fully complete the project and liquidate the fund covered by the MOA, if warranted; and***
- c. Demand from CASELCO the immediate return of the total amount of P22.006 million corresponding to the approved allocated cost of 23 unimplemented sitios, otherwise, a Notice of Disallowance will be issued to NEA/CASELCO including the officials and employees responsible for the approval and release of the subsidy fund.***

7.4 NEA submitted the following comments:

- a. TEREDD has already prepared a letter addressed to CASELCO and the AFP dated May 31, 2021. The letter to AFP to seek personal help regarding the matter, will be personally hand-carry and will be delivered to the AFP, Camp Emilio Aguinaldo, Quezon City, and will update the COA on any updates;
- b. ASD sent a copy of the letter dated June 3, 2021 addressed to the CASELCO's Board President requesting compliance with the audit recommendations.

7.5 As our rejoinder, we reiterate our recommendation to demand the CASELCO to liquidate immediately the total amount of P25.112 million by submitting all the required liquidation documents including the Certificate of Final Inspection and Acceptance (CFIA), AF with its supporting documents, such as but not limited to official receipts, disbursement vouchers, cash advances made by AFP personnel and its liquidation in hard and soft copy, properly labeled for easy verification to validate the charges made against the subsidy fund.

8. **The unexpended/unutilized balance reported in the AFs for various SEP projects of LEYECO V totaling P10.848 million was not immediately returned upon liquidation due to NEA's non-enforcement of Section 7 of the MOA, hence, deprived the government of funds to utilize for other projects.**

**Likewise, an increase of unexpended balance from P10.848 million to P11.396 million was noted due to error in recording, unsupported and expenses not attributable to the subsidy funds which were not compliant with Sections 2 and 7 of the MOA.**

- 8.1 Our audit is guided by NEA Memorandum No. 2013-023 dated October 10, 2013 requires the submission of the original copy of the following documents to support the liquidation of subsidy funds released to the ECs:

- a. Accounting of Funds on a per project basis;
- b. Disbursement Vouchers;
- c. Materials Charge Tickets;
- d. Materials Credit Tickets;
- e. Service Contract (if project was implemented by contractor);
- f. Bid Documents;
- g. Accomplishment Report;
- h. Staking Sheets (As-Built) and (As planned) for each project;
- i. Bill of Materials (As-Built) and (As planned) for each project;
- j. Certificate of Project Completion;
- k. Certificate of Final Inspection and Acceptance; and
- l. Bank Statements.

8.2 The Management Letter on the audit of subsidy funds released to LEYECO V from May 20, 2009 to June 30, 2016 recommended the immediate refund of the unexpended balance and reported expenses not chargeable against the subsidy fund totaling P 18.890 million, consisting of the following:

Particulars	AMOUNT
A Unexpended subsidy	10,848,313.11
B Reported expenses not chargeable to subsidy funds:	
Error in recording in the AF	898,242.69
Expenses not related to the projects	222,676.45
Salaries of regular employees and benefits	1,830,521.96
Input Vat	6,568,617.29
Total amount to be returned to NEA	20,368,371.50
Less: Subsidy Deficit	1,478,723.90
<b>Net amount to be returned to NEA</b>	<b>18,889,647.60</b>

8.3 Based on the AFs of the liquidated projects, SEP 2011-2013 projects have unutilized/unexpended subsidy funds of P10.848 million, summarized as follows:

No. of Project	Total Subsidy Fund Received from NEA	Fund Utilization		Variance	Per AF	Per Audit
		Per AF	Per Audit		Unexpended Subsidy (B-C)	Unexpended Subsidy (B-D)
A	B	C	D	E	F	H
9	120,095,873.42	110,726,284.21	103,695,581.49	7,030,702.72	10,848,313.11	16,400,291.93

8.4 Review of the previous audit team, of the documents supporting the liquidation, revealed that the unexpended subsidy fund was P16.400 million instead of P10.848 million, hence, a variance of P7.031 million, details as follows:

Particulars	No Supporting Documents	Error in Recording	Expenses not related to the subsidy funded project	Total Variance
Materials	4,013,390.11	522,728.91	0.00	4,536,119.02
Labor	47,098.72	13,662.00	1,574,862.98	1,635,623.70
Overhead	18,772.79	361,851.78	478,335.43	858,960.00
<b>Total</b>	<b>4,079,261.62</b>	<b>898,242.69</b>	<b>2,053,198.41</b>	<b>7,030,702.72</b>

8.5 The reported variance was due to the following:

- Charges in the AFs totaling P4.079 million were not supported with complete documentation; and
- Charges not attributable to the project amounting to P2.053 million were charged against the subsidy fund, consisting of (i) salaries of regular employees and employees benefits in the amount of P1.830 million; (ii) and store expenses and transportation expenses amounting P222,676.45. These charges should be charged against the general fund of LEYECO be excluded from the AFs.
- Errors in recording amounting to P0.898 million such as double charging of expenses, double charging of MCT, and wrong posting were noted during the audit. The said errors should be excluded from the AFs, hence, not considered in audit.

8.6 LEYECO V commented that some of the SEP projects were constructed using the YRRP fund subject to replenishment. Also, some of the constructed SEP projects were not yet energized due to the non-application of the recipients for electricity connections, and some of the projects mentioned in the findings were already liquidated to NEA.

8.7 Records showed that LEYECO V partially returned to NEA the unexpended balance of P5.005 million, reducing the unreturned unexpended subsidy fund balance to a total amount of P11.396 million, details as follows:

Unreturned unexpended balance P16,400,291.93  
 Less partial return of unexpended balance:

Project Description of Returned Funds	JEV NO	OR No.	Amount
CY 2011 DAP - for unimplemented projects (Sitio Pater and Sitio Mani-uin)	2017-03-002326	7892723	903,485.48
CY 2011 DAP for 18 sitios.	2017-08-006430	7894247	241,802.46
CY 2013 GAA - SEP Subsidy Fund for 42 sitios.	2017-08-006456	7894249	1,686,648.72
CY 2013 GAA-SEP Subsidy Fund for 78 sitios.	2017-08-006457	7894250	2,172,688.39
Total			5,004,625.05
Unreturned unexpended balance of subsidy			P11,395,666.88

8.8 Likewise, LEYECO V should submit supporting documents to the charges made to AFs totaling P11.396 million, else, return this amount to NEA.



8.9 **We reiterated our previous recommendations that Management requires ASD to:**

- a. **Demand to LEYECO V the immediate return of the unexpended amount of P11.396 million to NEA pursuant to Section 7 of the MOA;**
- b. **Submit immediately the supporting documents for the charges made to AFs totaling P4.079 million for validation, otherwise, instruct to return the said amount to NEA; and**
- c. **Furnish this Office with the copy of Official Receipts evidencing the return of unexpended subsidy fund of P11.396 million and the amount corresponding to unsupported charges made to AFs totaling P4.079 million.**

8.10 We commend Management for LEYECO V's return of unexpended fund balance amounting to P11.396 million with Check No. 1394077387 dated June 10, 2021 under NEA's issued Official Receipt No. 7906120 dated June 22, 2021.

9. **The non-remittance of the unutilized/unexpended balance of subsidy funds released to TISELCO totaling P10.604 million is not compliant with Section 7 of the MOA entered into by and between NEA and TISELCO;**

**Additional documents submitted to support the two subsidy fund projects totaling P6.083 million were either lacking or not the original/certified true copies of the required supporting documents, violates Section 4(6) of the PD No. 1445; and**

**The inclusion of the P204,342.00 cost of unused housewiring materials, kWh meters, and duplex wire in the liquidation, which was not part of the expenses of the project, hence, not considered in audit.**

**This is a reiteration of previous audit findings.**

9.1 The basis of our audit are the following:

- a. Section 4.6 of the Presidential Decree No. 1445, provides that "*Claims against government funds shall be supported with complete documentation.*"
- b. NEA Memorandum No. 2013-023 dated October 10, 2013.

9.2 In the Management Letter (ML) on the audit of subsidy funds released to TISELCO issued on December 21, 2018, the submitted AFs for the 14 projects reported a total unexpended balance of P161,639.76. However, examination of the documents supporting thereto, an additional unexpended balance of P13.236 million was discovered making the total unexpended balance of P13.398 million, summarized on the next page:

	Per AF	Per Audit	Variance
Net funds received	86,511,580.79	86,511,580.79	0.00
Expended / disbursed	98,305,465.88	73,113,404.38	25,192,061.50
<b>Unexpended Balance/ Subsidy deficit</b>	<b>(11,793,885.09)</b>	<b>13,398,176.41</b>	<b>25,192,061.50</b>

- i. Records showed that TISELCO returned/remitted the amount of P2.794 million to NEA, thereby reducing the unexpended subsidy balance to P10.604 million, to wit:

Unexpended balance before the return P 13,398,176.41

Less: Amount returned to NEA

Date	OR No.	Amount	
08/05/2019	7902105	482,880.26	
10/15/2020	7904582	1,110,899.04	
11/09/2020	7904673	300,000.00	
12/07/2020	7904752	300,000.00	
01/12/2021	7905169	300,000.00	
02/08/2021	7905272	300,000.00	2,793,779.30

**Unexpended balance after the return P 10,604,397.11**

- ii. We recognized the effort of TISELCO in remitting its unexpended subsidy fund balance, however, this runs counter with Section 7 of the MOA between NEA and TISELCO, requiring all unexpended balances be returned/remitted to NEA.
- iii. The practice of not remitting in full the unexpended balance of subsidy funds deprived the government to utilize the fund for some other priority projects or other electrification programs/projects that needs immediate funding.

- 9.3 It was also noted in the said ML that the total amount disbursed out of the subsidy funds for the 14 projects shown in the aforementioned AFs were P98.305 million, however, validation of the supporting documents, the amount should only be P73.113 million, hence, resulted in a variance of P25.192 million, to wit:

Project	Fund Source	Per AF	Per Audit	Variance
1 Distribution System Improvement	CARE	4,970,825.00	3,263,790.00	1,707,035.00
2 Rehabilitation of damaged distribution lines of Typhoon Yolanda	YRRP	391,495.49	37,030.00	354,465.49
3 Line enhancement to 13 barangays	2013 BLEP	31,238,871.00	24,164,918.12	7,073,952.88
4 Line extension to two sitios	2014 SEP			
5 Line extension to one sitio	2014 SEP			
6 Line extension to four sitios	2012 SEP	1,016,378.27	207,954.50	808,423.77
7 Line extension to three sitios	2013 SEP	2,426,886.95	1,919,155.17	507,731.78
8 Line extension to 15 sitios	2014 SEP	10,324,519.10	8,715,875.10	1,608,644.00
9 Line extension to one sitio				

Project	Fund Source	Per AF	Per Audit	Variance
10 Line extension to 32 sitios	2015 SEP	41,546,155.93	34,522,737.80	7,023,418.13
11 Line extension to 29 sitios				
12 Line enhancement to three barangays	2012 BLEP	1,929,179.85	86,573.26	1,842,606.59
13 Line extension to two sitios	2011 SEP	3,322,588.97	9,609.60	3,312,979.37
14 Line extension to So. Pandan, Brgy. Mc Arthur, Monreal	2012 SEP	1,138,565.32	185,760.83	952,804.49
Total		98,305,465.88	73,113,404.38	25,192,061.50

- i. The attached documents to support the liquidation of the aforementioned projects were not supported with complete documentation, violates Section 4 of PD 1445, detailed as follows:

Cost Category	Total	Remarks
Materials	23,383,840.78	No MCTs issued, No ORs, No supporting documents for payables to suppliers
Labor	658,682.26	No supporting documents such as payroll, DTRs for labor cost
Overhead	1,149,538.46	Payment for meals during bidding, meal allowances for the laborer, meals during energization of the projects No supporting documents for fuel consumption Expenses related to pre-membership seminars
<b>Total</b>	<b>25,192,061.50</b>	

- ii. It was then recommended in the CY 2019 audit that management require TISELCO to submit additional documents for possible adjustments subject to validation of this Office, otherwise, the whole amount of P13.398 million will be returned/remitted to NEA.

9.4 Additional documents are then submitted by TISELCO for the three subsidy fund projects totaling P6.287 million, details are shown below:

Project	Project Description	Fund Source	Amount
1	Line enhancement to three barangays	2012 BLEP	880,736.59
2	Line enhancement to 13 barangays and line extension to three sitios	2013 BLEP & 2014 SEP	5,202,198.78
	Sub- Total		6,082,935.37
3	Line extension to one sitio	2013 SEP	204,342.00
	Total		6,287,277.37

- i. However, the supporting documents submitted for the first two projects above totaling P6.083 million were not considered in audit due to the lacking documents or documents submitted were not the documents required to support the liquidation, and copies were not original nor certified true copies.

This is not in accordance with Section 4.6 of the PD No. 1445 quoted above requiring complete documentation.

- ii. Moreover, included in the liquidation is the amount of P204,342.00 which pertained to the 60 sets of unused housewiring materials, kWh meters and duplex wire returned by the contractor to TISELCO but was charged to the AF as evidenced by progress billing with Check Voucher no. 13221 dated November 17, 2015. Hence, disallowed in audit and should be returned to NEA.

9.5 **We reiterated our previous recommendations that Management:**

- a. **Enforce strictly the provision of Section 7 of the MOA between NEA and TISELCO by obliging the TISELCO to return/remit the remaining unutilized/unexpended subsidy fund balance of P10.604 million to NEA.**
- b. **Observe strictly Section 4.6 of PD No. 1445 by compelling TISELCO to submit the lacking and/or original/certified true copies of the documents pertinent to the liquidation of P6.083 million for the two projects mentioned in item no. 5.4 above to avoid the issuance of Notice of Charge/s; and**
- c. **Require TISELCO to return/remit immediately to NEA the amount of P204,342.00 disbursed for the cost of returned/unused housewiring materials, kWh meters, duplex wires, and furnish this Office with a photocopy of Official Receipt acknowledging the receipt. Also, remind TISELCO that only disbursements related to the projects should be charged against the subsidy funds, to avoid further disallowance;**

9.6 The Management replied that TISELCO still has issued to NEA nine postdated checks for August 2021 to April 2022 amounting to P300,000.00 per check/month.

9.7 As a rejoinder, of the unexpended subsidy fund balance of P10.604 million, TISELCO returned an additional amount totaling P2.334 million, leaving a balance of P8.271 million, computed as follows:

Unexpended balance prior to the return	P10,604,397.11		
Less: Amount returned to NEA			
<b>Date</b>	<b>OR No.</b>	<b>Amount</b>	
03/01/21	7905376	300,000.00	
04/02/21	7905584	300,000.00	
05/04/21	7905798	300,000.00	
05/27/21	7905975	629,322.08	
06/02/21	7905990	300,000.00	
07/12/21	7906180	204,342.00	
07/ /21	7906301	300,000.00	2,333,664.08
<b>Unexpended balance after the return</b>			<b>P8,270,733.03</b>

Management compliance will be monitored to ensure its implementation.

10. The unexpended subsidy fund balance released from February 06, 1997 to December 15, 2003 to TISELCO totaling P7.737 million, caused by non-implementation of energization of eight project locations and project in Brgy. Burgos, San Jacinto, Masbate, remain unremitted to NEA, contrary to Section 7 of the MOA entered into by and between the NEA and TISELCO, also, deprived the government to make use of the fund for some other electrification projects of the government; and

The charging of materials, labor, and overhead in the amount of P146,179.62 which was not supported with complete documentation, and the payment of P88,979.00 for TISELCO's employees' benefits were not allowed in audit, thus, should be returned immediately to NEA.

This is a reiteration of previous years' audit findings.

10.1 Our audit is guided by the following provisions:

- a. Sections 4.a, 5, and 7 of the MOA entered into by and between the NEA and TISELCO provide the following:

- 4.a. *The RECIPIENT shall submit regular reports on the progress of the project implementation including an **accounting of the subsidy fund and disbursements made to implement the projects(s)** on a per project basis, and such other data and information, as may be required by NEA from time to time. A final report on the projects(s) must be submitted by the RECIPIENT to NEA within six (6) months from the date of last release of the grant even if the same may not have been fully released because of breach on the part of the RECIPIENT as adverted to in Item 6 hereof (emphasis supplied).*

5. *NEA and/or the Commission on Audit shall **require the submission of the voucher and other documents** relevant to the grant and the project(s) as well as conduct an audit on all transactions made with respect thereto (emphasis supplied).*

7. *It is agreed that **all unexpended subsidy balance including interest earned thereon shall be immediately returned/remitted to NEA** to form part of a revolving fund from which NEA may provide grants or similar financial assistance requested by electric cooperatives in implementing projects for the electrification of depressed, low income, remote or isolated barangays, purok or localities and for rehabilitation of distribution lines and/or system damaged by typhoon, earthquakes and other related natural calamities. However, the RECIPIENT may request authority*

*to use the savings/balance as well as interests accruing to the fund for activities allied to the project (emphasis supplied).*

10.2 The Subsidy Audit Report (SAR) dated February 26, 2007, covering CYs 1996 to 2006, for the audit of subsidy fund released by NEA to TISELCO, reported the non-implementation of energization of eight project locations totaling P7.501 million. As presented in the said report, the status of subsidy funded projects is as follows:

**Table 10: Status of Subsidy Funded Projects**

Project Description	Date	Fund Receipt	Amount per	Difference	Remarks
		Amount (net of SC) (a)	"As-Built" Bill of Materials (including labor) (b)		
1. Construction of distribution lines in Brgy. Burgos, Batuan (Lagundi)	02/06/97	1,110,623.19	1,110,623.19	0.00	Energized, with 87 consumers
	09/24/97	57,132.82	57,132.82		
2. Construction of distribution lines in Brgy. Burgos and Brgy. Luna, San Jacinto	11/06/99	900,519.81	4,500.00	896,019.81	Both barangays were not energized due to non-completion of the project in Brgy. Burgos and non-implementation of project in Brgy. Luna.
3. Construction of distribution lines in Brgy. Progreso, San Fernando; Brgy. Roosevelt, San Jacinto; and Brgy. Morocborocan, Monreal	12/15/00	2,334,556.52	537,108.96	2,057,595.86	Brgy. Progreso was not energized due to non-implementation of project.
	02/10/03	927,536.23	667,387.93		
4. Extension of distribution lines in Brgys. Valparaiso, Buenavista, Buenos Aires, Buenas Suerte, Benitinan, (all of) San Fernando	05/25/01	3,518,176.81	233,512.69	3,805,437.07	Non-implementation of projects. Only Brgy. Benitinan is energized with 25 consumers.
	05/14/03	520,772.95			
5. Construction of distribution lines in Brgy. Lumbia, San Fernando and Brgy. Maglambong, Monreal	12/15/03	742,303.30	0.00	742,303.30	Both Barangays were not energized due to non-implementation of projects.
<b>Total</b>		<b>10,111,621.63</b>	<b>2,610,265.59</b>	<b>7,501,356.04</b>	

The total subsidy fund received from February 06, 1997 to December 15, 2003 by the TISELCO from the NEA amounted to P10.112 million (net of service charges). Of which, the amount of P2.610 million was charged for materials and labor

based on “As-Built” Bill of Materials (including labor) leaving a subsidy balance of P7.501 million pertained to unimplemented energization or extension of distribution lines of eight project locations.

- 10.3 Also, the team noted the amount of P235,158.82 unexpended subsidy balance due to non-completion of energization project in Barangay Burgos, San Jacinto, Masbate. This pertained to charges made to subsidy funds but was not allowed in audit, such as cost of materials, labor, and overhead not supported with complete documentations totaling P146,179.62 and the payment made to TISELCO’s employees benefit in the total amount of P88,979.00.
- 10.4 The total unexpended subsidy balance due to non-implementation of energization for eight project locations and projects in Barangay Burgos, San Jacinto, Masbate as of December 31, 2020 was P7.737 million, to wit:

Project Location	Amount
<b><i>Non-implementation of energization projects</i></b>	
1. Brgy. Luna, San Jacinto , Masbate	896,019.81
2. Brgy. Progreso, San Fernando, Masbate	2,057,595.86
3. Brgy. Valparaiso, San Fernando, Masbate	
4. Brgy. Buena Suerte, San Fernando, Masbate	
5. Brgy. Buenos Aires, San Fernando, Masbate	
6. Brgy. Buenavista, San Fernando, Masbate	3,805,437.07
7. Brgy. Lumbia, San Fernando, Masbate	
8. Brgy. Maglambong, Monreal, Masbate	742,303.30
<b>Sub-total</b>	<b>7,501,356.04</b>
<b><i>Non-completion of energization project</i></b>	
9. Barangay Burgos, San Jacinto, Masbate	<b>235,158.82</b>
<b>Grand Total</b>	<b>7,736,514.86</b>

- 10.5 The previous audit team recommended the immediate return of said unexpended subsidy balance totaling P7.736 million resulting from the non-implementation of the energization of the above projects.

This recommendation was incorporated in Part V of the Management Letter (ML) in the audit of the subsidy fund released by the NEA to TISELCO covering the period from January 1, 2007 to June 30, 2018 which remained unimplemented as of December 21, 2020.

- 10.6 In response, TISELCO informed that the subsidies were released to the previous management and the energization on the aforementioned projects were already completed except for the project in Brgy. Buenavista, San Fernando, Masbate. The following documents were submitted to evidence the complete energization:

Submitted Documents	Project Location
Certificate of Energization	1. Brgy. Luna, San Jacinto , Masbate
Certificate of Final Inspection and Acceptance	2. Brgy. Progreso, San Fernando, Masbate
	3. Brgy. Valparaiso, San Fernando, Masbate

Submitted Documents	Project Location
	4. Brgy. Buenasuerte, San Fernando
	5. Brgy. Buenos Aires, San Fernando
	6. Brgy. Lumbia, San Fernando
	7. Brgy. Maglambong, Monreal
Certification of Acceptance	8. Brgy. Burgos, San Jacinto, Masbate

10.7 Examination of the documents submitted revealed that out of the eight project locations, the energization of the seven projects locations were already completed with a total amount of P8.012 million (net of service charge), detailed as follows:

Project Location	Submitted Documents	Source Fund	Date of Subsidy Release	Check No.	Gross Amount	Service Charge	Net Amount
					As Provided in the MOA/ NEA's Evaluated Project Cost		
<i>Extension of distribution lines</i>							
1. Brgy. Luna, San Jacinto, Masbate	Certificate of Energization				1,228,549.62	41,545.16	1,187,004.46
2. Brgy. Progreso, San Fernando, Masbate							
3. Brgy. Valparaiso, San Fernando, Masbate	CFIA	2012 BLEP	2/27/13 & 8/5/19	343601 & 421369	97,247.84	3,288.57	93,959.27
4. Brgy. Buenasuerte, San Fernando					1,064,974.80	20,881.86	1,044,092.94
5. Brgy. Buenos Aires, San Fernando			1/7/14	344251	2,897,564.14	56,814.98	2,840,749.16
6. Brgy. Lumbia, San Fernando	CFIA	2013 BLEP	10/21/15 & 9/14/12	369215 & 327288	1,673,695.36	32,817.56	1,640,877.80
7. Brgy. Maglambong, Monreal*	CFIA	2011 BLEP	10/24/18	421150	1,247,999.33	42,202.88	1,205,796.45
Total					8,210,031.09	197,551.01	8,012,480.08

\*Brgy. Maglambong, Monreal was not included in the MOA, however, in the Evaluation Report issued by NEA-TEREDD (formerly ATEO) thru a Memorandum dated August 15, 2012, it was indicated therein that Brgy. Maglambong, Monreal was a pass-by barangay.

10.8 However, a different or new subsidy fund under 2011, 2012 and 2013 BLEP projects, released from September 14, 2012 to August 5, 2019 by NEA to TISELCO totaling P8.012 million was used to complete the energization of the seven project locations. The funding source was reflected in the Certificate of Energization/CFIA.

10.9 Since a different or new funding source was used to complete the energization of the seven location projects, the unexpended subsidy balance of P7.501 million, received from February 06, 1997 to December 15, 2003 has to be returned by TISELCO to the NEA.

10.10 As regards the energization project in Brgy. Burgos, San Jacinto, Masbate with total unexpended subsidy balance of P235,158.82, the only document submitted by TISELCO was a Certification of Acceptance. Pursuant to Sections 4a and 5 of



the MOA between TISELCO and NEA, the charging of P146,179.62 against the unexpended subsidy balance cannot be allowed in audit unless its liquidation is supported with complete documentation, such as but not limited to, progress report, AF, disbursement voucher and such other pertinent documents. Moreover, the charging of P88,979.00 for the payment of TISELCO's employees' benefits shall not be allowed in audit and should be returned/remitted to NEA.

- 10.11 The long delay in the return/remittance of unexpended subsidy balance is not compliant with Section 7 of the MOA. Moreover, the continuous non-remittance of unexpended subsidies deprived the government to make use of the fund for some other priority projects or other electrification programs/projects of the government.
- 10.12 Moreover, Section 6 of the MOA provides a sanction for failure to comply with the provisions of the MOA. However, this was not complied with by the Management.
- 10.13 The unexpended balance is a reiteration of audit finding in CY 2007 and was incorporated in Part V of the Management Letter (ML) on the audit of the subsidy fund released by the NEA to TISELCO covering the period from January 1, 2007 to June 30, 2018.
- 10.14 ***We reiterated our previous audit recommendations that Management require TISELCO to return/remit immediately the unexpended balance P7.736 million for:***
  - a. Non-implementation of energization of eight location projects for P7.501 million;***
  - b. Non-allowable cost for paying the TISELCO's employees benefits charged from subsidy fund of P88,979.00; and***
  - c. Liquidation of energization project located in Brgy. Burgos, San Jacinto, Masbate not supported with a progress report, AF, disbursement voucher, and such other pertinent documents in the amount of P146,179.62.***
- 10.15 The Management submitted their comment that TISELCO sent a letter dated May 25, 2021 referring to Section 26 of PD No. 1445 on the prescriptive period. However, the said letter was referred by ASD to Legal Services Office for comments.

As a rejoinder, require ASD and TEREDD to compel TISELCO to return immediately the unexpended subsidy funds totaling P7.736 million.

**11. Procurement procedures conducted by the Bids and Awards Committee (BAC) of PRESCO and PELCO II for the implementation of SEP and BLEP were not in accordance with Republic Act (RA) No. 9184 and its Revised Implementing Rules and Regulations (RIRR).**

- 11.1 Section 3 of the MOA signed by NEA and ECs states that:

*Procurement of equipment and materials and/or engagement of contractors for the project(s) shall be guided by RA No. 9184 and its Implementing Rules and Regulations xxx.*

11.2 Section 12.2 Rule V of the RIRR of RA 9184 - Bids and Awards Committee states that *the BAC shall be responsible for ensuring that the procuring entity abides by the standards set forth by the Act and this IRR.*

11.3 The procurement procedures conducted by the respective BAC of PRESCO and PELCO II audited in CY 2020 were not in accordance with the RIRR of RA No. 9184, as evident in the following:

**a. Advance payment or mobilization fee paid by PRESCO to its 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.**

i. Section 4.1 on Contract Implementation Guidelines for the Procurement of Infrastructure Projects of the RIRR of RA 9184 states that:

*4.1 The procuring entity shall, upon a written request of the contractor which shall be submitted as a contract document, **make an advance payment to the contractor in an amount not exceeding fifteen percent (15%) of the total contract price**, to be made in lump sum or, at the most, two installments according to a schedule specified in the Instructions to Bidders and other relevant Tender Documents. (emphasis ours)*

ii. Review of the contract and the submitted AFs for the construction of distribution lines to Purok 6, Brgy. Baliti, Arayat, Pampanga, showed that PRESCO made an advance payment/mobilization fee of P227,681.30 or 30 percent of the contract price of P0.759 million which exceeded the allowable 15 percent, thus, resulting in an overpayment of P113,840.63, as shown in the table below:

<b>Total Amount of Contract</b>	<b>% of Payment</b>	<b>Total Amount Paid</b>	<i>Amount of Required 15% Mobilization fee per RA 9184</i>	<b>Excess Amount</b>
58,937.78	30	227,681.30	113,840.67	113,840.63

iii. This practice is not in conformity with the aforementioned Section No. 4.1 on Contract Implementation Guidelines for the Procurement of Infrastructure Projects of the RIRR of RA 9184 which implies that the government is funding in advance the capital requirements of the contractor/supplier.

**b. The performance security bond posted by the winning bidders of PELCO II was insufficient by P0.838 million, contrary to Sections 39.1 and 39.2 of the updated 2016 RIRR of RA 9184.**

- i. Section 39.1 of the RIRR of RA No. 9184 states that:

*To guarantee the faithful performance by the winning bidder of its obligation under the contract in accordance with the Bidding Documents, it shall post a performance security prior to the signing of the contract.*

- ii. Section 39.2 also provides that performance security shall be in an amount not less than the required percentage of the total contract price in accordance with the following schedule:

<b>Form of Performance Security</b>	<b>Amount of Performance Security (Equal to Percentage of the Total Contract Price)</b>
a) Cash or cashier's/manager's check issued by a Universal or Commercial Bank	Goods and Consulting Services - Five percent (5%)
b) Bank draft/guarantee or irrevocable letter of credit issued by a Universal or Commercial Bank: Provided, however, that it shall be confirmed or authenticated by a Universal or Commercial Bank, if issued by a foreign bank.xxx	Infrastructure Projects - Ten percent (10%)
c) Surety bond callable upon demand issued by a surety or insurance company duly certified by the Insurance Commission as authorized to issue such security.	Thirty percent (30%)

- iii. Three winning bidders posted their performance security bond of five percent of the contract price or equivalent to P0.838 million which are below the required 10 per cent of the contract price pursuant to Section 39.2 of the RIRR of RA 9184, detailed as follows:

Winning Bidder	Contract Amount	Performance Security Posted by the Winning Bidder (5%)	Should be Performance Security Per RA 9184 (10%)	Discrepancy
1	7,264,765.14	363,238.26	726,476.51	363,238.25
2	4,835,050.50	241,752.53	483,505.05	241,752.52
3	4,661,651.72	233,082.59	466,165.17	233,082.58
Total	16,761,467.36	838,073.38	1,676,146.73	838,073.35

- iv. The performance security guarantees the faithful performance of the winning bidder of its obligations under the contract that is effective from the time of signing of the contract until the issuance of the final certificate of acceptance.
- v. It is worthy to note that in case a contractor defaulted in performing its obligation, PELCO II will assume and shoulder all the responsibilities to NEA.

c. **The bid documents submitted by two bidders of PELCO II were not accompanied by bid security contrary to Section 27.1 and 27.2 of the updated 2016 RIRR of RA 9184.**

i. Sections 27.1 and 27.2 of the RIRR of RA 9184 require that:

*27.1 All bids shall be accompanied by a bid security, payable to the Procuring Entity concerned as a guarantee that the successful bidder shall, within ten (10) calendar days from receipt of the notice of award, enter into contract with the Procuring Entity xxx.*

*27.2 The bidder shall submit a Bid Securing Declaration, or any form of Bid Security, in an amount not less than the required percentage of the ABC in accordance with the following schedule:*

<b>Form of Bid Security</b>	<b>Amount of Bid Security (Not less than the required percentage of ABC)</b>
a) <i>Cash or cashier's/ manager's check issued by a Universal or Commercial Bank. xxx.</i>	
b) <i>Bank draft/guarantee or irrevocable letter of credit issued by a Universal or Commercial Bank: Provided, however, that it shall be confirmed or authenticated by a Universal or Commercial Bank, if issued by a foreign bank. xxx.</i>	<i>Two percent (2%)</i>
c) <i>Surety bond callable upon demand issued by a surety or insurance company duly certified by the Insurance Commission as authorized to issue such security.</i>	<i>Five percent (5%)</i>

ii. Two bidders of PELCO II did not provide the bid securities, hence, entering into a contract with the winning bidders is not guaranteed, which is not in accordance with the aforementioned Section 27.1 and 27.2 of the RIRR of RA 9184.

d. **The documentary requirements of the bidding documents of the winning bidders of PELCO II as required under the RIRR of RA 9184 are lacking and incomplete.**

i. Review of the bid documents submitted by the three winning bidders awarded with the extension of distribution lines projects revealed that the documentary requirements required under the RIRR of RA 9184 were lacking and incomplete. The documentary requirements are summarized as follows:

Documentary Requirements	Criteria: Provisions of the RIRR of RA No. 9184
<i>a.</i> Bidding Documents;	Rule VI Section 17
<i>b.</i> Invitation to Apply for Eligibility and Bid;	Rule VII
<i>c.</i> Certificate of Availability of Funds;	Section 20.1.c(i)
<i>d.</i> Minutes of Pre-bid Conference, if applicable	Section 22.4
<i>e.</i> Supplemental Bid Bulletins, if any;	Section 22.5
<i>f.</i> Eligibility Requirements;	Section 23
<i>g.</i> <b>Bidder's Technical and Financial Documents;</b>	Section 23.1
<i>h.</i> Minutes of Bid Opening;	Section 29
<i>i.</i> Checklist of Required Documents using a non-discretionary "pass/fail" criteria	Section 30.1 Rule IX
<i>j.</i> Abstract of Bids;	Section 32.3
<i>k.</i> Post Qualification Report of Technical Working Group;	Rule X
<i>l.</i> Notice of Post-Qualification by BAC-TWG;	Section 34.2
<i>m.</i> BAC Resolution declaring winning bidder;	Section 34.4
<i>n.</i> Notice of Award;	Section 37
<i>o.</i> BAC Resolution recommending approval;	Section 37.1.1
<i>p.</i> Contract Agreement;	Section 37.2.1
<i>q.</i> Notice to Proceed	Section 37.4
<i>r.</i> Performance Security;	Section 39
<i>s.</i> Such other documents pertinent to the contract	

ii. Presented hereunder are the lacking or incomplete documentary requirements by PELCO II:

Item	Particulars Contractor/Contract Price	2012 SEP Batch 1	2013 BLEP	2014 SEP
		13 sitios Contractor 1/ P7,264,765.14	1 brgy. Contractor 2/ P4,835,050.50	10 sitios Contractor 3/ P4,661,651.72
a.	Bidding Documents	X		
b.	Invitation to Apply for Eligibility and Bid	X		
c.	Certificate of Availability of Funds	X	X	X
d.	Minutes of Pre-bid Conference, if applicable	X		X
e.	Supplemental Bid Bulletins, if any	X	X	X
f.	Eligibility Requirements DTI/SEC Reg. No. Mayor's Permit Statement of Completed/ Ongoing Similar Contracts: 1 completed equivalent to 50% of ABC Audited Financial Statements	X X X X		
g.	NFCC Computation Bidders Technical and Financial Proposals Bid Security Technical Specification/ Term of Reference and Schedule of Requirements Omnibus Sworn Statement Financial Component	X X X X	X X X	X X X
h.	Minutes of Bid-Opening	X		

Item	Particulars Contractor/Contract Price	2012 SEP Batch 1 13 sitios	2013 BLEP 1 brgy.	2014 SEP 10 sitios
i.	Checklist of Required Documents using a non-discretionary "pass/fail" criteria			
j.	Abstract of Bids	X		
k.	Post Qualification Report of Technical Working Group (Post Bidding Qualification Summary Results)			
	1. Annual Tax Return	X		X
	2. Tax Clearance	X		
	3. PhilGeps Registration	X	X	X
l.	Notice of Post-Qualification by BAC-TWG	X	X	X
m.	BAC Resolution declaring winning bidder	X		X
n.	Notice of Award			
o.	BAC Resolution recommending approval/award	X		
p.	Contract Agreement			
q.	Notice to Proceed			
r.	Performance Security			
s.	Other documents if any			
	Program of Work/ Detailed Estimates;	X		
	NEA Approved Cost			
	PCAB License			

11.4 **We recommended and Management agreed to require PRESCO and PELCO II to comply strictly with the provisions of RA 9184 and its RIRR, specifically:**

- a. **Payment of advances/mobilization fee in an amount not exceeding 15 percent of the total contract price pursuant to Section 4.1 of the RIRR of RA 9184;**
- b. **Post adequate Performance Security to contracts awarded to protect the government's interest in case of default and inevitable abandonment of contract;**
- c. **Submission of the bid security and completeness of bid documents; and**
- d. **Exercise prudence in accepting documents both from the prospective bidders and winning bidders on full documentation requirements as mentioned in the guidelines.**

11.5 In addition, Management commented that during that time the cooperative is not yet fully aware of the RIRR of RA 9184 because it was the first time that RA 9184 was introduced to the EC. Also, Management apologizes for the lapses in the liquidation and gives an assurance that they are more attentive next time.

11.6 Management compliance will be monitored to ensure its implementation.

12. **The absence of monitoring and follow up policy/guidelines relative to the return of the excess amount from the approved realigned subsidies granted to the ECs by the NEA, resulted in a total of P10.933 million or 87.35 percent which remains**

**unreturned by the concerned ECs to the NEA, for more than six years, as of December 31, 2020, hence, not compliant with Section 7 of the MOA, thereby depriving the government of funds to utilize for electrification or other priority projects.**

- 12.1 Also, the NEA issued Memorandum No. 2015-012 dated May 26, 2015, addressed to all ECs relative to the COA Audit Observations on the Subsidy Funded Projects on the unexpended/excess of the subsidy funds not returned to NEA.
- 12.2 Audit of the excess from the approved realigned unexpended subsidies granted to the ECs disclosed that no policy/guidelines are being implemented by NEA as regards the return by the ECs of the said excess. The lack of such policy/guidelines is evident not only as revealed by the absence of any monitoring reports by the Accounts Servicing Division (ASD), but also in the long-overdue return of the excess amount from the approved realigned unexpended/excess subsidies.
- 12.3 Inquiry from the concerned personnel of the Financial Services & Accounting Division (FSAD) disclosed that the ASD has the responsibility of monitoring the subsidy releases, as well as following up with the ECs in cases there are unexpended/excess. Thus, we requested from the ASD its monitoring reports, documentation/copies of the process flow, and written policies on the monitoring procedures and timelines of the excess amount from the approved realigned subsidies which are to be returned/remitted to the NEA. However, what was provided to the Audit Team were the memoranda on Request for Realignment of Projects 2015-015 dated June 22, 2015; and Policy Guidelines on the Implementation of the STEP 2019-001 dated January 9, 2019. Both do not bear any monitoring procedures, timelines, and sanctions relative to the return or delay in the return by the ECs of the excess amount from the realigned subsidies.
- 12.4 Verification of the status of the 25 ECs with excess subsidy balance of P12.516 million from the approved realigned subsidy, as reported in the Annual Audit Report (AAR) on the NEA for CY 2015 disclosed that as of December 31, 2020, P10.933 million remain unreturned. The total unreturned amount pertains to the excess from the approved realigned unexpended/excess subsidies in CYs 2013 and 2014 of the 18 ECs involving 20 projects, to wit-

**Table 11: List of ECs with Unreturned Amount in Excess of the Realigned Subsidy Fund**

Proj. No.	EC Name	NEA's Approval Date of the Realigned Excess Subsidy Fund	Duration of Unreturned Excess Amount by EC As of 12.31.2020			Amount of the Excess from the Approved Realigned Subsidy
			Year	Month	Day	
1	BUSECO	5/21/2014	6	7	10	40,328.42
2	CANORECO	4/10/2013	7	8	21	86,457.97
3	CASURECO I	2/6/2014	6	10	25	131,951.97
4	CEBECO I	3/22/2013	7	9	9	2,018,171.78
5	COTELCO PPALMA	9/5/2013	7	3	26	323,731.08

Proj. No.	EC Name	NEA's Approval Date of the Realigned Excess Subsidy Fund	Duration of Unreturned Excess Amount by EC As of 12.31.2020			Amount of the Excess from the Approved Realigned Subsidy
			Year	Month	Day	
6	DIELCO	5/19/2014	6	7	12	508.20
7	DORECO	12/18/2014	6	0	13	543,743.93
8	IFELCO	3/22/2013	7	9	9	183,684.58
9	LANECO	7/25/2014	6	5	6	242,451.56
10	LEYECO V	3/22/2013	7	9	9	849,077.34
11	MORESCO II	6/24/2014	6	6	7	2,270,630.25
12	NEECO I	2/5/2013	7	10	26	57,547.42
13	SORECO II	10/7/2013	7	2	24	594,506.96
14	TARELCO II	1/18/2013	7	11	13	20,187.86
15	VRESCO/NONECO	2/7/2013	7	10	24	207,070.52
16	ZAMSURECO I	6/13/2013	7	6	18	374,560.96
17	ZAMSURECO II	1/18/2013	7	11	13	2,200,248.82
18	ZANECO	1/18/2013	7	11	13	121,816.38
19	ZANECO	12/6/2013	7	0	25	310,212.53
20	ZANECO	5/16/2014	6	7	15	356,650.78
TOTAL						10,933,539.31

12.5 The table above shows that as of December 31, 2020, the delay in the return of the excess amount from the approved realigned subsidies ranges from six years to almost eight years, and it is a clear indication of the lack of monitoring by the ASD. Such delay can be attributed to the absence of policy/guidelines that will provide the procedures, timelines, imposition of sanctions for the delay, and the responsible department to conduct the periodic monitoring and follow up of the return of excess amount by concerned ECs.

12.6 Our audit further showed that there were nine ECs (involving 10 projects) that have returned the excess amount of P1.583 million from the approved realigned funds, the details are as follows:

**Table 12: Summary of Returned Excess from the Approved Realigned Subsidies**

Proj. No.	EC Name	NEA's Approval Date of the Realigned Excess Subsidy Fund	Date Returned	Duration of Returned Excess Amount by EC As of 12.31.2020			Amount of the Excess from the Approved Realigned Subsidy	Date refunded/ returned	OR No.
				Year	Month	Day			
1	ILECO II	11/28/2013	3/28/2014	0	4	0	362,408.15	7/18/2016	7891134
2	FIBECO	5/22/2014	7/18/2016	2	1	26	432,270.54	8/7/2014	0007691
3	ILECO II	7/14/2014	8/7/2014	0	0	24	334,655.20	3/28/2014	0006789
4	ISELCO II	3/4/2013	3/22/2013	0	0	18	30,430.78	3/22/2013	0002648
5	LANECO	5/19/2014	6/16/2016	2	0	28	323,268.63	6/16/2016	003562
6	LANECO	5/22/2014	6/16/2016	2	0	24	20,110.43	6/16/2016	003563
7	MARELCO	7/22/2014	1/23/2015	0	6	1	10,787.50	1/23/2015	000860
8	MASELCO	2/25/2013	3/3/2020	7	0	6	11,770.36	3/3/2020	7903399



Proj. No.	EC Name	NEA's Approval Date of the Realigned Excess Subsidy Fund	Date Returned	Duration of Returned Excess Amount by EC As of 12.31.2020			Amount of the Excess from the Approved Realigned Subsidy	Date refunded/ returned	OR No.
				Year	Month	Day			
9	SOCOTECO I	6/24/2014	4/23/2014	0	-2	-1	12,676.89	***4/23/2014	0007014
10	SORECO II	1/10/2014	9/15/2014	0	8	5	44,540.75	9/15/2014	0007848
TOTAL							1,582,919.23		

**Legend: \*\*\*** returned prior to the approval of realignment of the unexpended/excess subsidy

- 12.7 As can be gleaned therefrom, the return by the FIBECO and LANECO of the excess amount was made after two years from the approval of the realigned unexpended/excess subsidy. On the other hand, MASELCO returned the excess fund only on March 3, 2020 or after seven years. The returned amounts were verified in the e-NGAS, evidenced by the Journal Voucher number indicated in Annex A hereof and the corresponding official receipts in the Report of Collections and Deposits.
- 12.8 Moreover, Section 6 of the MOA provides a sanction for failure to comply with the provisions of the MOA. However, there is no sanction when the ECs delay in the return of the excess amount from the approved realigned unexpended/excess subsidy/(ies) granted to it by NEA.
- 12.9 It is apparent from the above observations that the absence of the clear policy/guidelines on the monitoring and follow up of the excess amount from the approved realigned unexpended/excess subsidies caused the delay in the collection of funds, and thus, deprived the government to make use of the fund for some other priority projects or other electrification programs/projects of the government.
- 12.10 ***We recommended and Management agreed to:***
- a. ***Provide a monitoring tool/measures that will periodically check and follow up on the ECs which have not yet returned the excess/unexpended subsidies released to them;***
  - b. ***Impose sanction(s) on the unjustifiable delay of the return of excess balance of the realigned subsidies aside from Section 6 of the MOA. This will compel the ECs to return within timelines any excess amount from the approved realigned unexpended/excess subsidy grant;***
  - c. ***Assign personnel from the ASD and FSD to monitor and coordinate with the ECs relative to the timely return of the excess amount;***
  - d. ***Require the remaining 18 ECs to return/remit immediately the excess/unexpended balances from the approved realigned subsidies totaling P10.933 million and furnish the COA office of the photocopies of***

***the returned fund, otherwise, a Notice of Charge shall be issued thereon; and***

***e. Enforce strictly the provision of Section 7 of the MOA on the return/remittance of excess/unutilized funds.***

12.11 The Management submitted additional comments informing that only two ECs listed with unreturned excess amounts of the realigned subsidy funds have not yet complied as of May 20, 2021.

12.12 We commend the Management for the immediate response and return of excess balances from the approved realigned subsidies which reduces the unreturned excess amounts from P10.933 million to P1.056 million, detailed as follows:

	EC Name	Duration of Unreturned Excess			Amount
		Year	Month	Day	
1.	LEYECO V	7	9	9	849,077.34
2.	NONECO	7	10	24	207,070.52
<b>Total</b>					<b>1,056,147.86</b>

12.13 Management compliance will be monitored to ensure its implementation.

**13. The non-observance by the NEA of Section 4.a of the MOA with the PELCO II, pertaining to the inspection of the former's completed SEP and BLEP projects, totaling P16.804 million, resulted in the delayed subsidy liquidation ranging from 9 to 72 months (or 6 years), causing a toll on the electrification program of the National Government (NG) through NEA and thus, deprived the beneficiaries of the implementation of the electrification projects and services; and**

**Likewise, liquidation of the subsidy funds released PRESCO for the extension of distribution lines for Purok 6, Baliti, Arayat, Pampanga under 2014 SEP incurred delays by eight months which was not compliant with Item No. 4 of the MOA.**

13.1 PELCO II received three subsidy funds totaling P16.804 million (net of Service Charge) from the National Government (NG) thru the NEA for the implementation of SEP/BLEP for the construction of line extension/distribution projects. The details of subsidy receipts are as follows:

**Table 13: Subsidy Receipts by PELCO II**

No.	Project Name	Source Fund	Net Amount Received	Check No.	Check Date	OR No.	OR Date
1	Line extension to 14 sitios	2012 SEP-B1	4,460,956.33	3100846	09/27/2012	3100846	02/07/2013
2	Line enhancement to Brgy. Diaz, Porac	2013 BLEP	3,568,765.06	343494	12/05/2012	3100549	12/05/2012
3	Line extension to 10 sitios	2014 SEP	3,936,237.53	369560	05/05/2016	3299967	05/19/2016
			4,838,073.24	368999	10/30/2015	3298424	10/30/2015
<b>TOTAL</b>			<b>16,804,032.16</b>				

13.2 Review of the CFIA revealed that the NEA representatives from the TEREDD has incurred delays in the conduct of inspection of the completed projects of PELCO II

and consequently caused the delay in the issuance of the corresponding CFIA which is a requirement in the full liquidation of the subsidies released by NEA to the latter, details shown in Table 14.

**Table 14: List of Sitios/Barangays with Delayed Inspection by NEA**

Project Description	Date Completed (a)	Date Inspected (b)	Date Liquidated (c)	No. of Months Delay of Inspection from Project Completion (d=a-b)	No. of Months Delay of Liquidation from Inspection (e=b-c)
<b>1.Line extension to 14 sitios</b>					
So. Lele control phase 1, Manuali, Porac	10/31/2012			27	47
So. Lele control phase 2, Manuali, Porac	10/31/2012			27	47
So. Lele control phase 3, Manuali, Porac	10/31/2012			27	47
So. Balik Brgy., Mancatian, Porac	10/31/2012			27	47
Prk. 4 (Sto. Rosario), Malusac, Sasmuan	10/31/2012			27	47
So. 3 M/S Drive, San Juan Macaba, Sta. Rita	10/31/2012			27	47
Prk. 3 Egay, Sto. Niño, Lubao	10/31/2012	2/27/2015	1/31/2019	27	47
So. Dalan Galeta, San Isidro, Sta. Rita	10/31/2012			27	47
Prk. 8, Bical, Mabalacat	10/31/2012			27	47
Evacuation road, San Vicente, Bacolor	10/27/2012			28	47
So. Libutad, Sta. Barbara, Bacolor	10/31/2012			27	47
Simple Living, Cabetican, Bacolor	10/31/2012			27	47
So. Pemaldug, Babo Pangulo, Porac	4/3/2013			22	47
So. PSM, Paralayunan, Mabalacat	4/3/2013			22	47
<b>2.Line enhancement to Brgy. Diaz, Porac</b>					
Brgy. Diaz, Porac	10/30/2016	4/26/2017	11/29/2017	9	7
<b>3.Line extension to 10 sitios</b>					
Zone 3, Dila-dila, Sta. Rita	11/19/2015	4/25/2017	11/29/2017	17	7
Zone 4, Dila-dila, Sta. Rita	11/19/2015	4/25/2017	11/29/2017	17	7
Mauli, Palat, Porac	2/10/2016	4/25/2017	11/29/2017	14	7
Looban, Planas, Porac	1/13/2016	4/25/2017	11/29/2017	15	7
Sapa (purok 4), Maquiapo, Guagua	1/13/2016	4/25/2017	11/29/2017	15	7
Farm to Market Road, San Jose, Guagua	1/13/2016	4/25/2017	11/29/2017	15	7
Prk. 7, Prado Siongco, Lubao	4/2/2015	4/24/2017	11/29/2017	24	7
Zone 1, Talba, Bacolor	1/13/2016	4/25/2017	11/29/2017	15	7
Zone 2, Talba, Bacolor	1/13/2016	4/25/2017	11/29/2017	15	7
Prk. 3, Matias, Lubao	4/18/2015	4/24/2017	11/29/2017	24	7

- 13.3 After the completion of the project or issuance of CFIA, subsidy receipts by the ECs which were utilized in the projects must be liquidated within the prescribed period provided in the MOA. However, as shown from the above table, the inspection of the three completed projects under 2012-2014 SEP/BLEP funding/subsidy, were delayed for a period ranging from 9 to 28 months.
- 13.4 Despite the conduct of inspection of the completed projects and the corresponding issuance of the CFIA, the PELCO II still incurred delay by about 7

to 47 months in the liquidation of the subsidy funds it received, as shown in the table below:

**Table 15: List of Sitios/Barangays with Delayed Liquidation**

Source Fund/ Project Description	Date Completed	Should be Date of Liquidation	Date Liquidated	No. of Days Delayed in the Liquidation
	(a)	(b=a+3 mos.)	(c)	(d=b-c)
1.Line extension to 14 sitios				
So. Lele control phase 1, Manuali, Porac	10/31/2012	1/31/2013		72
So. Lele control phase 2, Manuali, Porac	10/31/2012	1/31/2013		72
So. Lele control phase 3, Manuali, Porac	10/31/2012	1/31/2013		72
So. Balik Brgy., Mancatian, Porac	10/31/2012	1/31/2013		72
Prk. 4 (Sto. Rosario), Malusac, Sasmuan	10/31/2012	1/31/2013		72
So. 3 M/S Drive, San Juan Macaba, Sta. Rita	10/31/2012	1/31/2013		72
Prk. 3 Egay, Sto. Niño, Lubao	10/31/2012	1/31/2013	1/31/2019	72
So. Dalan Galeta, San Isidro, Sta. Rita	10/31/2012	1/31/2013		72
Prk. 8, Bical, Mabalacat	10/31/2012	1/31/2013		72
Evacuation road, San Vicente, Bacolor	10/27/2012	1/27/2013		72
So. Libutad, Sta. Barbara, Bacolor	10/31/2012	1/31/2013		72
Simple Living, Cabetican, Bacolor	10/31/2012	1/31/2013		72
So. Pemaldug, Babo Pangulo, Porac	4/3/2013	7/3/2013		66
So. PSM, Paralayunan, Mabalacat	4/3/2013	7/3/2013		66
2.Line enhancement to Brgy. Diaz, Porac	10/30/2016	1/30/2017	11/29/2017	9
3.Line extension to 10 sitios				
Zone 3, Dila-dila, Sta. Rita	11/19/2015	2/19/2016	11/29/2017	21
Zone 4, Dila-dila, Sta. Rita	11/19/2015	2/19/2016	11/29/2017	21
Mauli, Palat, Porac	2/10/2016	5/10/2016	11/29/2017	18
Looban, Planas, Porac	1/13/2016	4/13/2016	11/29/2017	19
Sapa (purok 4), Maquiapo, Guagua	1/13/2016	4/13/2016	11/29/2017	19
Farm to Market Road, San Jose, Guagua	1/13/2016	4/13/2016	11/29/2017	19
Prk. 7, Prado Siongco, Lubao	4/2/2015	7/2/2015	11/29/2017	28
Zone 1, Talba, Bacolor	1/13/2016	4/13/2016	11/29/2017	19
Zone 2, Talba, Bacolor	1/13/2016	4/13/2016	11/29/2017	19
Prk. 3, Matias, Lubao	4/18/2015	7/18/2015	11/29/2017	28

13.5 The CFIA of PRESCO dated February 17, 2015 showed the construction of distribution lines to Purok 6, Brgy. Baliti, Arayat, Pampanga was completed on November 16, 2014. The Official Receipt No. 59624 showing the 10% final release amounting to P78,981.51 was already received by PRESCO on April 29, 2015. However, the partial liquidation report LR#15-10-337 was forwarded by the Accounts Servicing Division (ASD) to the Finance Services and Accounting Division (FSAD) on October 27, 2015 but PRESCO returned only the excess amount of P2,173.56 on September 19, 2016 with OR No. 7891463 under Journal Entry Voucher (JEV) No. 2016-09-007372. Thus, full liquidation was one year and seven months delayed from the project close-out date of February 17, 2015.

13.6 This is evidence of non-observance of the terms and agreement provided specifically in Section 4.a of the MOA. Such, laid-back observance resulted in delays in the liquidation of the subsidies it received from NEA and has likewise

affected the attainment of NEA's primary purpose of providing electricity to residents/beneficiaries from far-reaching rural communities of the country.

- 13.7 Also, delays in the energization of the 16 sitios/barangays for the three projects under the 2012-2014 SEP/BLEP were noted for about 1 to 417 days after the project completion and thus, prejudiced the intended beneficiaries of the services from such electrification projects funded by the NG.

**Table 16: Barangays/Sitios with Delayed Energization**

Project Description	Date Completed	Date Energized	No. of Days Delayed Energization
1. Line extension to 14 sitios – 2012 SEP Batch 1			
So. Balik Brgy., Mancatian, Porac	10/31/2012	01/09/2013	70
Prk. 4 (Sto. Rosario), Malusac, Sasmuan	10/31/2012	12/08/2012	38
So. 3 M/S Drive, San Juan Macaba, Sta. Rita	10/31/2012	03/14/2013	134
Prk. 3 Egay, Sto. Niño, Lubao	10/31/2012	12/07/2012	37
So. Dalan Galeta, San Isidro, Sta. Rita	10/31/2012	11/22/2012	22
Prk. 8, Bical, Mabalacat	10/31/2012	11/26/2012	26
Evacuation road, San Vicente, Bacolor	10/27/2012	10/30/2012	3
So. Libutad, Sta. Barbara, Bacolor	10/31/2012	12/22/2013	417
Simple Living, Cabetican, Bacolor	10/31/2012	05/15/2013	196
So. Pemaldug, Babo Pangulo, Porac	04/03/2013	08/06/2013	125
So. PSM, Paralayunan, Mabalacat	04/03/2013	07/23/2013	111
2. Line enhancement to Brgy. Diaz, Porac, Pampanga – 2013 BLEP			
Brgy. Diaz, Porac, Pampanga	10/30/2016	12/19/2016	50
3. Line extension to 10 sitios- 2014 SEP			
Mauli, Palat, Porac	02/10/2016	02/11/2016	1
Looban, Planas, Porac	01/13/2016	12/29/2016	351
Sapa (purok 4), Maquiapo, Guagua	01/13/2016	02/18/2016	36
Farm to Market Road, San Jose, Guagua	01/13/2016	09/05/2016	236
Prk. 7, Prado Siongco, Lubao	04/02/2015	04/04/2015	2
Prk. 3, Matias, Lubao	04/18/2015	12/17/2015	243

- 13.8 Further, Section 6 of the MOA provides a sanction for failure to comply with the provisions of the MOA. However, the Management did not impose sanctions against PELCO II, despite its failure to observe the timelines provided under the MOA.

13.9 **We recommended and Management agreed to:**

- a. **Conduct inspection of completed projects within the prescribed period as provided for under the MOA and issue the corresponding CFIA, as warranted, to facilitate the timely liquidation of subsidy released to PELCO II;**
- b. **Require the PELCO II and PRESCO to comply with the liquidation timeline pursuant to item No. 4.a of the MOA;**
- c. **Require PELCO II to submit written justification/explanation on the late energization of the above-mentioned SEP/BLEP projects and delayed**

*inspection which in effect delayed the liquidation of the completed projects; and*

- d. *Impose sanctions on PELCO II as stated in the MOA or its non-observance of the timelines provided thereof.*

**14. Laxity in the preparation of the PRESCO's CFIA casts doubt on the reliability of the information on the completion/energization dates of the implemented project.**

14.1 Normally, a CFIA is prepared and issued by the NEA's representative who conducted the final inspection of the completed project while the Certificate of Energization (CE) is prepared and certified by the concerned officials of the Electric Cooperative which in this case is the General Manager. Likewise, the barangay captain certifies the completion and energization of the completed project under his jurisdiction.

14.2 Examination of the CFIA and CE attached to the liquidation documents, inconsistencies were noted on the dates reflected of completion and energization of the project for the construction of distribution lines to Purok 6, Brgy. Baliti, Arayat, Pampanga, to wit:

<b>Document</b>	<b>Date Issued</b>	<b>Date Completed</b>	<b>Date Energized</b>
CFIA	02/17/2015	11/06/2014	12/04/2015
Certificate of Energization (CE)	12/04/2014	11/26/2014	12/04/2014

14.3 The dates of completion and energization reflected on the CFIA prepared by NEA's represented differ from dates reflected in the CE prepared by the Brgy. Captain and the PRESCO's General Manager. Due to the leniency of their preparation, actual dates of completion and energization could not be ascertained, hence, cast doubts on the reliability of the documents supporting the liquidations.

14.4 ***We recommended that Management require TEREDD to ensure the accuracy of the information reported in the CFIA and CE.***

14.5 The Management commented that there was indeed a typographical error in the filling up of CFIA and CE. The date of energization was December 4, 2014 and not December 4, 2015. While the date of completion is November 26, 2014 and not November 6, 2014. The concerned personnel of TEREDD will be more careful next time in filling up related documents.

14.6 Management compliance will be monitored to ensure its implementation.

## C. GENDER AND DEVELOPMENT (GAD)

### 15. Deficiencies were noted in the implementation of the GAD Plan and Budget (GPB) and GAD Accomplishment Report (AR) for CY:

- a. Improper attribution of SEP budget to GPB resulting to overstatement of GPB amounting to P1.399 billion ;
- b. NEA's adjusted GAD allocation for CY 2020 amounting to P2.497 million, was below the 5.0 percent requirement of the General Appropriations Act (GAA);
- c. The implementation of the NEA GPB was not maximized due to unutilized fund amounting to P1.408 million;
- d. The GPB was not approved/endorsed by the Philippine Commission on Women (PCW);
- e. The GAD AR submitted was not accompanied by the required documents; and
- f. The GAD AR was not dated.

15.1 Review of NEA's GPB and implementation of GAD for CY 2020 disclosed the following:

a. ***Improper attribution of SEP budget to GPB resulting in overstatement of GPB amounting to P1.399 billion.***

- i. For CY 2020, NEA's GPB is composed of the following:

<b>Particulars</b>	<b>Amount</b>
Organization Focused	1,970,807.00
Client Focused	526,400.00
Attribution (SEP)	1,398,825,000.00
<b>Total</b>	<b>1,401,322,207.00</b>

- ii. In CY 2019, SEP was subjected to gender analysis using the Harmonized Gender and Development Guidelines (HGDG) tool to determine the level of gender-responsiveness of the program/project and the corresponding percentage of its annual budget that may be attributed to the GAD budget.
- iii. The result of the initial test revealed a score of 13.67 descriptively presented as gender sensitive, thus, NEA was able to attribute 50 percent of the SEP in GAD Budget for CY 2019 amounting to P431.472 million.
- iv. NEA's Budgetary Support for Government Corporations (BSGC) subsidy provided under the 2020 GAA totaled P2.300 billion wherein P1.399 billion is applicable for SEP.

- v. Section 1.2.3.2 (Budget Attribution Using the HGDG) of PCW Memorandum Circular No. 2019-02 provides that:

*1.2.3.2.1. Aside from implementing direct GAD PAPs to address organization- or client-focused gender issues or GAD mandates, agencies may attribute a portion or a whole budget of the agency’s major program/s or project/s to the GAD budget using the Harmonized Gender and Development Guidelines (HGDG) tool, specifically the HGDG design checklist, which can either be generic or sector-specific, should be used depending on the nature of the project or program being attributed. Assessing major program/project using the HGDG tool enables the agency to identify strengths and areas for improvement to gradually increase the gender-responsiveness of the program/project. xxx*

- vi. NEA attributed to the GAD Budget the whole amount of the SEP budget per GAA without administering the HGDG test upon budget preparation, thus, overstating the GBP by P1.399 billion.

**b. NEA’s adjusted GAD allocation for CY 2020 amounting to P2.497 million, was below the 5.0 percent requirement of the GAA.**

- i. Section 6.1 of PCW-NEDA-DBM Joint Circular No. 2012-01 on the Annual GAD Planning and Budgeting Guidelines states that:

***At least five percent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency’s maintenance and other operating expenses (MOOE), capital outlay (CO), and personal services (PS). It is understood that the GAD budget does not constitute an additional budget over an agency’s total budget appropriations. (emphasis supplied)***

- ii. Our verification disclosed that NEA’s total budget appropriation for CY 2020 amounted to P14.915 billion, detailed as follows:

<b>Program/Activity/Project</b>	<b>Amount</b>
General Administration and Support	1,141,046,000
Support to Operations	220,431,000
Operations	139,784,000
Locally-Funded Projects	13,169,107,000
Loans to Electric Cooperatives	245,000,000
<b>Total</b>	<b>14,915,368,000</b>

- iii. The budget allocation for GAD per CY2020 GPB submitted to PCW amounted to P1.401 billion representing 9.40 percent of the total budget. However, upon recomputation of the attribution of the SEP,



the total budget allotted for GAD was decreased to P2.497 million, computed as follows:

GAD Activity	Amount
Organization-Focused	1,970,807
Client-Focused	526,400
Attribution-SEP	0
<b>Total</b>	<b>2,497,207</b>

- iv. The total adjusted GAD allocation totaling P2.497 million is equivalent to only 0.016 percent, which is not compliant with the minimum requirement of 5.0 percent of P14.915 billion or P745.768 million.

**c. The implementation of NEA GAD Plan and Budget was not maximized due to unutilized fund amounting to P1.408 million.**

- i. Sections 3.2 and 10.3 of PCW-NEDA-DBM Joint Circular No. 2012-01 on the Annual GAD Planning and Budgeting Guidelines states that:

*GAD planning and budgeting shall be conducted annually as part of all programming and budgeting exercises of agencies. The PAPs in the GPB shall be included in the agency budget proposal and they shall be reflected in the Annual Work and Financial Plan (WFP) of concerned offices or units within the agency or department.*

*Accomplishments on the implementation of GAD PAPs xxx including the amount spent for such shall also be reflected in the agency GAD Accomplishment Report.*

- ii. Out of the total budgeted GAD fund of P2.497 million, actual disbursements amounted only to P1.089 million or 43.62 percent of the total, thus resulting in unutilized balance amounting to P1.408 million. Details are as follows:

No.	GAD Activity	Budget	Actual Expenditures	Under (Over) Approved Budget	Status	Reasons for Non-Implementation
	Organization-Focused					
1.	Basic GAD and MCW orientation and GST for new employees (old and new)	185,000.00	245,508.00	( 60,508.00)	Implemented	
2.	Monitor policy implementation of hiring of NEA personnel particularly on intake of female engineers in the workforce	669,128.00	210,306.00	458,822.00	Implemented	
3.	Capacity development	185,000.00	0.00	185,000.00	Not	NEA has

No.	GAD Activity	Budget	Actual Expenditures	Under (Over) Approved Budget	Status	Reasons for Non-Implementation
	of concerned NEA employees on data capture, storage, retrieval and analysis				Implemented	included this program for the deliverables of the GAD Consultant
4.	Procurement/hiring of GAD consultant to handle GAD technical and general administrative matters	300,000.00	150,000.00	150,000.00	Implemented	
5.	Participation in the events/activities of the PCW, CSC, and other government agencies or LGUs/GOCCs, which may be related to sports fitness, health, wellness, and safety aspects as stated, among others, under the MCW	0.00	0.00	0.00	Not Implemented	No invitation from other agencies due to lockdown
6.	Maintenance of GAD page at NEA website, creation of GAD tarpaulin released and comic strips depicting GAD concepts, issues and concerns disseminated	52,400.00	270.00	52,130.00	Implemented	Other activity deferred due to lockdown
7.	Adoption of all legal measures necessary to foster and promote equal opportunity for women to contribute in nation building	79,279.00	211,413.14	(132,134.14)	Implemented	
8.	Compensation of GFPS on the actual time they spent and agency personnel doing GAD-related works	500,000.00	179,994.92	320,005.08	Implemented	
<i>Sub-Total</i>		<i>1,970,807.00</i>	<i>997,492.06</i>	<i>973,314.94</i>		
<b>Client-Focused</b>						
1.	Data banking/update <b>master list and or EC's</b> data on Board of Directors and Member- <b>Consumers'</b> profile (sex-	0.00	0.00	0.00	Implemented	

No.	GAD Activity	Budget	Actual Expenditures	Under (Over) Approved Budget	Status	Reasons for Non-Implementation
	disaggregated data)					
2.	Awarding of ECs with the most number of female representatives seated in the EC Board of Directors and most number of gender-responsive Corporate Social Responsibility programs	0.00	0.00	0.00	Not implemented	Not implemented due to lockdown
3.	Provide seminar/trainings for non-technical female engineers on RE programs	526,400.00	91,800.00	434,600.00	Implemented	
<i>Sub-Total</i>		<i>526,400.00</i>	<i>91,800.00</i>	<i>434,600.00</i>		
<b>Grand Total</b>		<b>2,497,207.00</b>	<b>1,089,292.06</b>	<b>1,407,914.94</b>		

- iii. A low budget utilization rate may indicate PAPs which are not implemented or an over provision in budget. Likewise, PAPs which aid in gender mainstreaming may not be accomplished.

**d. The GPB was not approved/endorsed by the PCW**

- i. Per PCW Memorandum Circular No. 2019-02 dated August 1, 2019, the deadline of encoding and submission to PCW of FY 2020 GPBs of GOCCs through the Gender Mainstreaming Monitoring System (GMMS) is September 30, 2019.
- ii. Paragraph 4.4 of PCW Memorandum Circular No. 2020-03 dated April 27, 2020 provides that:

*Agencies with FY 2020 GPB that has been endorsed or is still under review by PCW have an option to submit an adjusted GPB until 01 July 2020 for (re-)endorsement of PCW. Request to re-open the access to the agency's FY 2020 GPB submitted through the Gender Mainstreaming Monitoring System (GMMS) should be emailed to [oad@pcw.gov.ph](mailto:oad@pcw.gov.ph), copy furnished (cc): [review.moderator@pcw.gov.ph](mailto:review.moderator@pcw.gov.ph) and [sysadmin@pcw.gov.ph](mailto:sysadmin@pcw.gov.ph)*

- iii. Inquiry with Management disclosed that GPB was not submitted within the prescribed deadline due to restrictions in view of the Coronavirus Disease.

**e. The GAD AR submitted was not accompanied by the required documents**

- i. Section 10.4 of PCW-NEDA-DBM Joint Circular No. 2012-01 on the Annual GAD Planning and Budgeting Guidelines provides that:

*The annual GAD AR shall be accompanied by the following: (1) brief summary of the reported program or project; (2) copies of reported policy issuances; (3) results of HGDG tests, if any; and (4) actions taken by the agency on the COA audit findings and recommendations, if any.*

- ii. Review of the GAD AR disclosed that only the accomplished template was submitted to the PCW. The abovementioned supporting documents are required to be submitted as support to the information reported in the GAD AR.

**f. The GAD AR was not dated**

- i. Annex B of PCW-NEDA-DBM Joint Circular No. 2012-01 on the Guide in Completing the GAD Accomplishment Report Template requires that the GPB shall be prepared by the Chairperson of the GFPS, approved by the Agency Head and dated thereafter.
- ii. Our review of 2020 GAD AR revealed that it was prepared by the GFPS Chairperson and approved by the NEA Administrator but was not dated.

**15.2 We recommended that Management require the Chairperson of GFPS to:**

- a. Administer the HGDG test during the preparation of the GAD GPB and GAD AR to determine the extent that the targeted HGDG score is attained;**
- b. Follow the annual guidelines prescribed by the PCW in the allocation of agency major programs to the GAD budget;**
- c. Provide reasonable budget or estimate in the preparation of annual GAD budget in accordance with Annex A of PCW-NEDA-DBM Joint Circular No. 2012-01;**
- d. Prioritize the capacity building program for the GFPS as required by the Philippine Plan for Gender-Responsive Development for 1995-2025 and PCW-NEDA-DBM Joint Circular No. 2012-01;**
- e. Submit the GAD Plan and Budget (GPB) on or before the deadline set by the Philippine Commission on Women (PCW) based on its annual guidelines;**

- f. Observe strictly the 30-day deadline set by the PCW in the compliance of requirements and resubmission of revised GPB, if any, in conformity with Section 8.5 of PCW-NEDA-DBM Joint Circular No. 2012-01 to avoid non-endorsement of the GPB;*
- g. Submit the GAD AR with the required supporting documents pursuant to Annex B of PCW-NEDA-DBM Joint Circular No. 2012-01; and*
- h. Ensure that the GPB and GAD AR are dated upon approval of the Administrator in compliance with Annexes A and B of PCW-NEDA-DBM Joint Circular No. 2012-01.*

15.3 Management agreed with the recommendations and noted that they already incorporated the recommendations in their CY 2021 GPB. In addition, the NEA-GFPS will include the GAD related matters in their MANCOM monthly meeting for smooth coordination among the concerned departments.

#### **D. COMPLIANCE WITH TAX LAWS**

Taxes withheld and due to the Bureau of Internal Revenue (BIR) for CY 2020 amounting to P27.159 million were recorded and remitted within the prescribed period. The taxes withheld for December 2020 amounting to P3.419 million were remitted in January 2021.

#### **E. COMPLIANCE WITH GSIS, PAG-IBIG AND PHILHEALTH PREMIUM/LOAN AMORTIZATION/DEDUCTION AND REMITTANCES**

Premiums and loan amortizations due to GSIS, Pag-IBIG and PhilHealth for CY 2020 were deducted from the salaries of the NEA personnel and remitted within the prescribed period as follows:

Particulars	Collected and Remitted in 2020 (January to November)	Collected in December 2020 and Remitted in January 2021
GSIS	21,119,708.53	1,173,202.82
Pag-IBIG	4,645,842.04	394,931.07
PhilHealth	1,897,292.07	201,084.33
<b>Total</b>	<b>27,662,842.64</b>	<b>1,769,218.22</b>

#### **F. STATUS OF AUDIT SUSPENSIONS, DISALLOWANCE AND CHARGES**

As of December 31, 2020, the audit disallowances that remain unsettled amounted to P125.568 million. There were no Notice of Suspension and Notice of Charge issued as of December 31, 2020. Details are shown on the next page:

<b>Audit Action</b>	<b>Beginning Balance January 1, 2020</b>	<b>Issued</b>	<b>Settled</b>	<b>Ending Balance December 31, 2020</b>
Suspensions	0.00	0.00	0.00	0.00
Disallowances	125,363,630.31	264,000.00	60,000.00	125,567,630.31
Charges	0.00	0.00	0.00	0.00
<b>Total</b>	<b>125,363,630.31</b>	<b>264,000.00</b>	<b>60,000.00</b>	<b>125,567,630.31</b>

Prior to the effectivity of the RRSA on October 28, 2009, COA records disclosed that several transactions totaling P0.692 million have been disallowed in audit.