

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

Property, Plant and Equipment (PPE)

1. **The Property, Plant and Equipment account includes six PPE items with a total acquisition cost of P434,307.14 that remained missing and reported as shortage, thus, affecting the fair presentation of the PPE account in the financial statements contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities of IPSAS (Conceptual Framework).**

This is a reiteration of the prior year's audit finding.

- 1.1. The Conceptual Framework provides that qualitative information can be useful to its users in making economic decisions. Qualitative characteristics of the said information are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. The information to be useful must be a faithful representation of the economic and other phenomena that it purports to represent. It is attained when the depiction of the phenomena is complete, neutral, and free from material error.
- 1.2. Also item II, C.3 of COA Circular No. 81-156 dated January 19, 1981, states that *every officer accountable for government property shall be liable for its monetary value in case of improper or unauthorized use or misapplication thereof, by himself or any person for whose acts he may be responsible.*
- 1.3. Of the reported eight PPE items missing in the CY 2020 AAR, six PPE items totaling P434,307.14 remained missing and reported as a shortage or not found during the year-end physical inventory count.
- 1.4. Since the CY 2019 AAR, the missing PPE items have been the subject of audit observation and since then it was recommended that its existence and/or whereabouts must be established, a Relief from Accountability must be filed by the concerned Accountable Officer, and a Report on Loss, Stolen, Damaged, Destroyed Property (RLSDDP) must also be prepared.
- 1.5. It was also noted from the CY 2020 Agency Action Plan and Status of Implementation (AAPSI) that Management has reminded the concerned employees to locate the missing PPE items.
- 1.6. Item 7.5 of COA Circular No. 2020-006 on the disposition procedures for non-existing/missing PPEs, requires the *Property Unit to inform the Head of the Agency of the missing PPEs without pending Request for Relief and shall prepare letters addressed to each concerned personnel demanding the production of the PPE they are accountable for.* The personnel shall be given five (5) calendar days to respond to the demand letter.
- 1.7. If the concerned personnel is not able to produce the missing items, the Accounting Unit shall take up the necessary accounting entries to recognize in the

books of accounts the lost PPE items and set up the corresponding receivable account from the concerned personnel pursuant to Item No. 7.10 of the aforementioned Circular.

- 1.8. **We recommended that Management require the General Services Division to send demand letters to the concerned accountable personnel for the six PPE items totaling P434,307.14 that remained missing as of December 31, 2021, and Accounting Division to set up receivable accounts from the concerned personnel who are unable to produce the PPE items pursuant to COA Circular No. 2020-006.**
- 1.9. Management commented that two out of the six PPE items were already located and found to be unserviceable while one is still missing and will be paid by the concerned accountable officer.
- 1.10. Demand letters will be sent to the former NEA officers and employees for the three remaining missing PPE items.

Cash in Bank – Local Currency

2. **The Cash in Bank – Local Currency and Other Payables account is overstated by P375,317.21 due to double issuance of Official Receipts (ORs) on excess subsidy funds returned by the Eastern Samar Electric Cooperative (ESAMELCO).**
 - 2.1. A collection amounting to P375,317.21 pertaining to the excess subsidy returned by ESAMELCO was recorded twice by the Accounting Division. Because two ORs were issued for this transaction, OR Nos. 7896939 and 7897253 dated March 19, 2018, and April 12, 2018, respectively, two JEVs were prepared, JEV Nos. 2018-03-002064 and 2018-04-002276 dated March 19, 2018, and April 12, 2018, respectively. As a result, the *Cash in Bank – Local Currency, Current Account and Prior Years' Adjustments* accounts were both overstated by this amount. This error remains uncorrected as of this writing.
 - 2.2. **We recommended that Management require the Accounting Division to correct the Cash in Bank – Local Currency, Current Account and Prior Years' Adjustments accounts for the collection of P375,317.21 from ESAMELCO which was recorded twice in the books of NEA.**
 - 2.3. Management commented that a letter dated May 5, 2022 was already sent to ESAMELCO requesting the return of the 2nd OR issued for cancellation. The adjusting entries will be made once the original copy of the 2nd OR is received by NEA.

B. OTHER AUDIT OBSERVATIONS

PRAISE Benefits

3. The payments in CY 2021 totaling P5.724 million for the Program on Awards and Incentives for Service Excellence (PRAISE) benefits granted *en masse* to NEA's employees which defeats the purpose of the PRAISE benefit is contrary to the Civil Service Commission (CSC) Memorandum Circular (MC) No. 01, s. 2001 dated January 26, 2001.

3.1. CSC MC No. 01, s. 2001 adopted the revised policies on PRAISE which were developed and refined in consultation with the different sectors of the government, we quote:

1. *Every department or agency shall establish its own **employee suggestions and incentive awards** system.*
2. *The System shall be designed to **encourage creativity, innovativeness, efficiency, integrity, and productivity in the public service** by recognizing and rewarding officials and employees, individually or in groups for their suggestions, inventions, superior accomplishments, and other personal efforts **which contribute to the efficiency, economy, or other improvements in government operations, or for other extraordinary acts or services in the public interest.** (emphasis ours).*
3. *The System shall henceforth be called the **Program on Awards and Incentives for Service Excellence (PRAISE).***
4. *The PRAISE shall adhere to the principle of providing incentives and awards based on performance, innovative ideas, and exemplary behavior.*

3.2. On January 20, 2005, the then-Administrator of NEA resubmitted the NEA-PRAISE [in a new format anchored on the new mandate-mission-vision and corporate credo of the agency] for approval by the CSC, Regional Office. The same was approved for implementation by the CSC in a letter dated April 12, 2004, by the then Director, CSC National Capital Region, citing that *the System shows substantial compliance with CSC MC No. 1, s. 2001.*

3.3. The NEA-PRAISE categorizes the agency's awards and incentives into three areas, namely:

| Category | Objective/Justification |
|---------------------------|--|
| I. Performance Commitment | Given to recognize the overall accomplishments of the agency, reflecting the combined efforts of each department and individual employee to attain the agency's corporate goals. |

| Category | Objective/Justification |
|---|---|
| II. Corporate Best Practices | Given to the particular department, units, clusters, even individuals who manifest improvement or extraordinary performance or have introduced innovations creating an impact on the overall organizational efficiency. |
| III. EC National / Regional Performance | Given for the improved performance level of electric cooperatives based on categorization, according to their performance improvement and/or rehabilitation plans or equivalent programs. |

- 3.4. Under Category II, Item No. 3.1 or the Workplace Attendance, two types of awards are given to the qualified employees. The *Perfect Attendance Award* is given to an official/employee who has obtained a perfect attendance [no absences and no tardiness/undertime] except for the 5-day mandatory forced leave and the *Punctuality Award* is given to an official/employee who has not incurred tardiness and undertime during the period under review.
- 3.5. Relative thereto, the NEA Administrator issued the *Implementing Guidelines on the Grant of "Efficient Service Delivery Award" (ESDA)* dated December 16, 2019, which applies to all NEA regular officials and employees from the year 2020 onwards. Under the said Guidelines, the ESDA will be under Category II of the NEA-PRAISE which aimed to promote improved workplace attendance with the integration of work efficiency for continuous dedicated service for the Filipinos in the countryside.
- 3.6. Section 3 on Rules and Regulations of the above implementing guidelines, provides a monetary incentive of P2,000.00 per month for the ESDA which will be awarded on a quarterly basis to all NEA regular officials and employees who meet the following requirements:
- i. In the service for at least one (1) year;
 - ii. Earned at least a very satisfactory performance rating during the two (2) latest rating periods;
 - iii. Obtained perfect attendance [(no absences and no tardiness/undertime) for three (3) consecutive months, except for five (5) days of mandatory Forced Leave (FL) and three (3) days of Privilege Leave (PL) and Compensatory Time Off (CTO)]; and
 - iv. Complied with strict observance of the code of ethics for civil servants, compliance to wearing of prescribed office uniform and dress code, attendance to the flag-raising ceremony, and regular Honesty, Efficiency, and Solidarity Auditorium convocation for three (3) consecutive months during the period under review.
- 3.7. For CY 2021, the NEA has granted ESDA to qualified employees totaling P5.724 million covering the months of July 2020 to December 2020 and January 2021 to June 2021 broken down as follows:

| Check No. | Period Covered | No. of Employees | Rate | Total |
|--------------|--------------------------|------------------|-----------|---------------------|
| ADA-PVB-553 | July to September 2020 | 247 | 2,000/mo. | 1,482,000.00 |
| ADA-PVB-1136 | October to December 2020 | 245 | 2,000/mo. | 1,470,000.00 |
| ADA-PVB-2302 | January to March 2021 | 238 | 2,000/mo. | 1,428,000.00 |
| ADA-PVB-2373 | April to June 2021 | 224 | 2,000/mo. | 1,344,000.00 |
| Total | | | | 5,724,000.00 |

3.8. The NEA-PRAISE Committee awarded the ESDA for the 3rd and 4th quarter of CY 2020 based on the following major accomplishments and awards achieved by NEA as stated on NEA-PRAISE Resolution No. 03, series of 2020 dated December 15, 2020 and NEA-PRAISE Resolution No. 02, Series of 2021 dated May 14, 2021, respectively:

- a. Recipient of the Department of Energy's (DOE's) Recognition Award as an Energy Efficient Government Agency pursuant to R.A. 11285 (Energy Efficient and Conservation Act) with a 5 Star Rating or top 5 among 80 GOCCs around the Philippines on December 7, 2020;
- b. Recognized as the 11th Top Performing agency among 80 GOCCs in the 2019 Corporate Governance Scorecard with a rating of 91.67% by the Governance Commission for GOCCs (GCG) published on December 10, 2020, at the GCG website;
- c. Passed the 14-millionth mark in consumer connections after electrifying over 150,000 new consumers in the 3rd quarter of 2020, in cooperation with ECs;
- d. Awarded as second runner-up in the GOCCs category at the 2020 Freedom of Information (FOI) Awards on November 25, 2020, in recognition of the agency's significant contribution to the FOI program's progress and development; and
- e. Commended by the Office of the President in a letter addressed to Administrator Edgardo R. Masongsong for acting promptly on the citizen's concerns and complaints lodged through the government's 8888 Citizens' Complaint Center (CCC) dated November 23, 2020.

3.9. For 1st and 2nd quarters of CY 2021, the basis for the ESDA award under NEA-PRAISE Resolution No. 03, Series of 2021 dated October 26, 2021, are the following major accomplishments:

- a. Earned the ISO 9001:2015 Certification for Quality Management System, reaffirming the agency's compliance with international standards of service;
- b. Achieved a 100-percent resolution rate on the citizens' complaints and concerns coursed through the government's 8888 CCC in the first two months of the year;
- c. Surpassed its electricity connection's goal for 2020 by 62,905 consumers or 14 percent despite the challenges caused by the COVID-19 pandemic;

- d. Released P102-Million in loans to ECs in the 1st Quarter of 2021;
 - e. Electrified the 14-millionth consumer connection in the country under the rural electrification program;
 - f. Commended anew by the 8888 CCC for resolving 100 percent of citizens' concerns within the prescribed period; and
 - g. Earned commendation from Cabinet Secretary Karlo Nograles, Co-chair of the Inter-Agency Task Force on the Management of Emerging Infectious Diseases for its support in the fight against COVID-19, along with the ECs.
- 3.10. The NEA-PRAISE intends to encourage the employees by compensating them with the ESDA for their productivity/performance, innovative ideas, and exemplary behavior. However, rewarding the majority of employees with the said award defeats its purpose.
- 3.11. On this note, it is significant to highlight the Supreme Court case of Development Academy of the Philippines (DAP) vs. the Commission on Audit (GR No. 203072, October 18, 2016). The DAP granted Financial Performance Award to the majority of its employees citing their CSC-approved Employee and Incentive Award System contained a provision of recognizing not only individual but even collective efforts of their employees for the furtherance of the agency's mandate. The Court held that:

There is no room for the Employees Suggestions and Incentive Award System for the indiscriminate grant of an incentive package to all employees, or the en masse payment of the Financial Performance Award, as the petitioner did.

The entire point of the Employees Suggestions and Incentive Award System is the recognition of exemplary personal effort. Contributions beyond the ordinary are its essence. Even as Section 2 of Rule X of the Omnibus Rules implementing Book 5 of the Administrative Code refers to "rewarding officials and employees... in groups," the pivotal consideration remains to be innovations or accomplishments of an exceptional nature, that is, those that may be set apart from what the remainder of workforce has attained. To use the Employee Suggestion and Incentive Award System to grant incentive packages to all employees (excepting only those with disciplinary liabilities) is to run afoul of its very nature. (underscoring ours for emphasis)

- 3.12. It was emphasized in the implementing guidelines on the grant of ESDA that the timely and regular attendance, as well as their valuable contribution/input to satisfy the needs of its clients and stakeholders, is expected from the employees of NEA to achieve its objectives and goal. This is consistent with the Republic Act (RA) No. 11032 also known as the "Ease of Doing Business and Efficient Government Service Delivery Act of 2018" which encourages all employees in the government to report for work on time with consistent attendance, effective and

efficient performance. Abiding with RA No. 11032 is the basic responsibility of every employee and is not a sufficient ground for the grant of PRAISE.

3.13. ***We recommended that Management:***

- a. ***Stop immediately the grant of ESDA to all officers and employees as it constitutes additional benefits and is not in accordance with the approved NEA-PRAISE under CSC MC No. 01, s. 2001; and***
- b. ***Require the concerned officers and employees to refund the ESDA received totaling P5.724 million to preclude the issuance of a Notice of Disallowance (ND).***

3.14. Management commented that out of the 330 and 309 NEA officials and employees evaluated for the grant of ESDA for CYs 2020 and 2021, only 246 and 231, respectively, passed the evaluation and were granted with the incentive. Each official and employee was meticulously evaluated by the HRAD and the NEA-PRAISE Committee based on the rules and regulations of the IRR of NEA-PRAISE and ESDA.

3.15. The HRAD and NEA-PRAISE Committee objectively performed its duty of ascertaining officials and employees qualified and deserving for ESDA entitlement, without regard to the number of those who qualified for its grant.

3.16. In addition, there was no provision in the CSC-approved NEA-PRAISE and Implementing Guidelines on the Grant of ESDA limiting the number of awardees. Likewise, CSC Memorandum Circular No. 01, series of 2001 shows that no such cap on the number of officials and employees who may be granted an award exists.

As our rejoinder:

3.17. It was stated in Implementing Guidelines on the Grant of ESDA that a monetary incentive will be granted based on daily attendance, compliance with the Code of Ethics for civil servants, wearing of prescribed uniform and dress code, and attendance to flag-raising ceremonies.

3.18. Conversely, CSC Memorandum Circular No. 01 states that the PRAISE shall adhere to the principle of providing incentives and awards based on performance, innovative ideas, and exemplary behavior.

3.19. There is nothing innovative or exemplary on the criteria or bases for granting ESDA such as going to work on time daily, wearing of prescribed uniform, attending flag-raising ceremonies, and/or observing the Code of Ethics for civil servants. Said criteria were the basic responsibilities and are expected from any government employee, hence, defeats the purpose of the grant of PRAISE benefit.

3.20. Aside from the clothing allowances for uniforms, the salaries and wages are paid to the NEA officials and employees for their daily attendance to work. Thus,

granting ESDA for the criteria mentioned above constitutes additional compensation which is contrary to Section 46 of PD No. 807 dated October 6, 1975 which state that:

Additional or Double Compensation. No elective or appointive public officer or employee shall receive additional or double compensation unless specifically authorized by law...xxx.

- 3.21. Hence, we maintain our stand that Management require the concerned officers and employees to refund the ESDA received totaling P5.724 million to preclude the issuance of a Notice of Disallowance (ND).

Other Assets –Receivables Included in NEA’s Bail-Out Program

4. **The reported receivables included in the NEA’s bail-out program totaling P1.286 million under the non-current portion of the *Other Assets* account as of December 31, 2021 have been dormant or non-moving for 17 years and are of doubtful validity but have not been requested for write-off to clean the receivable accounts in accordance with COA Circular No. 2016-005.**

This is a reiteration of the prior year’s audit finding.

- 4.1. COA Circular No. 2016-005 dated December 19, 2016, prescribes the guidelines and procedures for reconciling and cleaning the books of government agencies’ dormant receivable accounts, unliquidated cash advances, and fund transfers for fair presentation of accounts in the financial statements.
- 4.2. The *Other Assets-Deferred Charges* account with a carrying amount of P18.567 million as at December 31, 2021 includes claims receivables totaling P1.286 million that were not written-off during NEA’s bail-out program where dormant receivables were allowed to be written off until the cut-off date of December 31, 1989. The details are shown below:

| Account Code | Account Name | Since | Amount |
|---------------------|---------------------|--------------|---------------------|
| 290-001-003-001 | Company A | 03/31/2005 | 7,346.00 |
| 290-001-003-002 | Company B | 03/31/2005 | 1,222,627.11 |
| 290-001-003-003 | Company C | 03/31/2005 | 14,250.00 |
| 290-001-003-004 | Company D | 03/31/2005 | 75.00 |
| 290-001-003-CR001 | Company E | 03/31/2005 | 147.00 |
| 290-001-003-CR002 | Company F | 03/31/2005 | 3,079.55 |
| 290-001-003-CR003 | Company G | 03/31/2005 | 1,199.77 |
| 290-001-003-CR004 | Company H | 03/31/2005 | 60.65 |
| 290-001-003-CR005 | Company I | 03/31/2005 | 2,061.55 |
| 290-001-003-CR006 | Company J | 03/31/2005 | 2,598.81 |
| 290-001-003-CR007 | Company K | 03/31/2005 | 4,416.00 |
| 290-001-003-CR008 | Company L | 03/31/2005 | 5,506.00 |
| 290-001-003-CR009 | Company M | 03/31/2005 | 6,475.00 |
| 290-001-003-CR010 | Company N | 03/31/2005 | 176.68 |
| 290-001-003-CR011 | Company O | 03/31/2005 | 15,574.48 |
| Total | | | 1,285,593.60 |

- 4.3. Since these accounts remained outstanding for 17 years, the probability of their collection is already remote. An adjustment was made in 2021 providing 100 per cent allowance for probable loss on these accounts. However, authority to write off these receivables has not been requested from COA.
- 4.4. It was noted from the AAPSI as of December 31, 2021 that the request for authority to write-off the receivables will be made upon the availability of the required documents.
- 4.5. ***We reiterated our previous recommendation and Management agreed to complete the documents necessary to support the request for authority to write-off the claims receivables amounting to P1.286 million in accordance with the provisions of COA Circular No. 2016-005.***

Cash Advances for the payment of per diems

5. **The cash advances intended for the payment of per diems are transferred from one Accountable Officer (AO) to another AO who is not bonded contrary to Sections 75 and 101 of PD No. 1445.**
 - 5.1. Section 75 of PD No. 1445 provides that the *transfer of government funds from one officer to another shall, except as allowed by law or regulation, be made only upon prior direction or authorization, of the Commission or its representative.*
 - 5.2. Under Executive Order No. 24 dated February 10, 2011, the amount of per diems to be paid to the members of the Board of Administration (BOA) of the NEA would be P15,000.00 for every actual attendance in regular and special meetings and P9,000.00 for every actual attendance in committee meetings.
 - 5.3. Before the actual date of the meeting, a cash advance will be drawn by an Accountable Officer (AO) who will be responsible for paying the members of the BOA (either by cash or thru cash deposit to their preferred bank accounts) and for liquidating the cash advance.
 - 5.4. The total per diems disbursed by NEA amounted to P2.010 million for 20 regular meetings, three special meetings, and 22 committee meetings conducted in CY 2021 by the members of NEA's BOA.
 - 5.5. However, it was noted during the audit that the cash advance drawn by an AO was transferred to another AO assigned at the Office of the Corporate Secretary (OCS) wherein the latter keeps the money until it is paid to the members of the BOA. This is contrary to the provision of Section 75 of PD No. 1445 prohibiting the transfer of cash advances from one AO to another.
 - 5.6. Although the transfer of the cash advance between the two AOs is documented in a logbook at the OCS where the AO signs to acknowledge the receipt of money, still contrary to Section 75 of PD No. 1445.

- 5.7. Examination of the logbook disclosed that the AO at the OCS keeps the cash advance up to 11 days before the payment is deposited to the bank accounts of the payees.
- 5.8. In addition, the recipient AO assigned at the OCS is a former Petty Cash Custodian and is no longer bonded in CY 2021. Thus, transferring of cash advance to another AOs who is not bonded runs counter to Section 101 of PD No. 1445 requiring that *every officer of any government agency whose duties permit or require the possession or custody of government funds or property shall be accountable therefor, and for the safekeeping thereon in conformity with the law. Every accountable office shall be properly bonded in accordance with the law.*
- 5.9. Section 75 of PD No.1445 prohibits the transfer of cash advances from one AO to another to avoid the improper use of funds like covering shortages or losses, etc. The accountability of the AO who drew the cash advances cannot be transferred to another AO and the recipient of funds cannot be held liable for any loss that may occur to the funds.
- 5.10. Cash is the most liquid asset, hence, the most susceptible to theft and misappropriation or improper use. Thus, sound internal control over cash is necessary for proper cash management, monitoring, and recording.
- 5.11. The practice of transferring the cash advances of one AO to another indicates a weak internal control system. It is worth mentioning that the agency head is dutybound to install and monitor the cash advances under Section 124 of PD No. 1445, to quote:

It shall be the direct responsibility of the agency head to install, implement, and monitor a sound system of internal control.
- 5.12. ***We recommended and Management agreed to stop the transfer of cash advances [for the payment of per diems] from one AO to another, especially to an AO who is not bonded, in compliance with Section 75 of PD No. 1445.***

B. SUBSIDY AUDIT

Unliquidated Subsidy Funds

6. **The guidelines and regulations on the release and liquidation of subsidy funds to Electric Cooperatives (ECs) were not complied with as evident in the following:**
 - a. **Of the total year-end balance of subsidy funds released to various ECs from CYs 2009 to 2020, 46.94 percent or P1.460 billion already due for liquidation remained unliquidated as of December 31, 2021, contrary to Section 4.5.6 of COA Circular No. 2007-001 and Section 4 of the Memorandum of Agreement (MOA) between the NEA and ECs; and**
 - b. **Subsequent releases of regular subsidy funds totaling P361.684 million to 26 ECs with unliquidated balances are not compliant with Section 2 of COA**

Circular No. 2012-01, paragraph 3 of NEA Memorandum No. 2016-022 dated October 11, 2016, paragraph IV(B)6 of NEA Memorandum No. 2018-001 dated December 7, 2017, and paragraph VI(B)3 of NEA Memorandum No. 2019-001 dated January 9, 2019.

This is a reiteration of the previous year's audit findings.

6.1. Our audit is guided by the following provisions:

- a. 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. (underscoring supplied)

- b. Section 2 of COA Circular No. 2012-01 emphasizes that:

NGOs/POs are not allowed to participate in the implementation of any program or project of government agencies until such time that any earlier fund releases availed by the said NGOs/POs shall have been fully liquidated pursuant to pertinent accounting and auditing rules and regulations as certified by the Head of the Agency concerned and the COA Auditor. (underscoring supplied)

- c. Paragraph 3 of NEA Memorandum No. 2016-022 dated October 11, 2016, states that:

xxx, no new subsidy fund will be released to the EC for new SEP/BLEP projects unless the previously funded projects are completed and funds are fully liquidated. xxx (underscoring supplied)

- d. Paragraph IV(B)6 of NEA Memorandum No. 2018-001 dated December 7, 2017, entitled Policy Guidelines on the Implementation of Sitio Electrification Program (SEP) (Phase 2-Grid Connection) on the *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. (underscoring supplied)

- e. Paragraph VI(B)3 of NEA Memorandum No. 2019-001 dated January 9, 2019, entitled Policy Guidelines on the Implementation of Strategized Total Electrification Program (STEP) on Implementation Scheme for NEA Subsidy Funded Projects 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. (underscoring supplied)

f. Section 4 of the MOA between NEA and ECs requires that:

x x x . . . 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 a close-out of the project within three (3) months after NEA's final inspection and acceptance to facilitate the take-up of completed projects in the EC books. (underscoring supplied).

- 6.2. The account *Due from Non-Governmental Organizations/People's Organizations (NGOs/POs)* is debited when NEA releases subsidy funds to the EC upon approval of the evaluated project cost for the implementation of various rural electrification or rehabilitation projects such as the SEP, Barangay Line Enhancement Program (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 typhoons, earthquakes, Marawi Siege and Armed conflict. The account is credited when the EC submits the documentary requirements for liquidation of the funds upon completion of the project.
- 6.3. Examination of the *Due from NGOs/POs* account and the report on the Status of Fund Transfer on subsidy funds released to ECs revealed the following deficiencies:
- a. Subsidy funds released to various ECs from CYs 2009 to 2020 totaling P1.460 billion were already due for liquidation but remained unliquidated as of the year-end**
- a.1. As prescribed in Section 3 of the MOA entered into by and between NEA and ECs, the rural electrification/rehabilitation project should be implemented by the ECs within six months period or at a later date agreed upon between the two parties. Thereafter, ECs are obliged to liquidate to NEA the utilization of the subsidy fund/s they have received within three months from the completion of the project. Subsequently, ECs are directed to record the close-out of the project in their respective books within three months following the date of completion.
- a.2. So unless agreed upon to be completed on a later date, ECs are given only a total of 12 months or one year to implement and liquidate the project fund, however, in case the project cannot be completed within

the specified period, ECs may request approval to extend the implementation of the project.

- a.3. To identify the age and to separate the outstanding subsidy releases from current to past due, our audit was based on the 12-month time frame commencing from the EC's initial receipt of the subsidy fund prescribed in the MOA.
- a.4. Of the P3.111 billion unliquidated subsidy fund balance, 53.06 percent pertains to the current portion of subsidy funds released during CY 2021. While the remaining 46.94 percent or P1.460 billion represents subsidy funds released from CYs 2009 to 2020 consisting of the Regular Subsidy and Calamity Grants totaling P960.228, million and P500.041 million, respectively, which are already due for liquidation remained unliquidated as of December 31, 2021. The aging of the unliquidated balance per source fund is presented below:

Aging of Unliquidated Subsidy funds¹ as of December 31, 2021

| Source Fund | Balance as of December 31, 2021 | Less Than 1 year (2021) | More than 1 year (2020) | More than 2 years (2019) | More than 3 years (2009-2018) | Amount Due for Liquidation |
|-----------------------------|---------------------------------|-------------------------|-------------------------|--------------------------|-------------------------------|----------------------------|
| Regular Subsidy (2008-2009) | 8,810,118.36 | 0 | 0 | 0 | 8,810,118.36 | 8,810,118.36 |
| 2011 SEP/BLEP | 19,484,274.10 | 0 | 0 | 15,433,143.55 | 4,051,130.55 | 19,484,274.10 |
| 2012 SEP/BLEP | 2,624,086.86 | 0 | 0 | 2,097,997.69 | 526,089.17 | 2,624,086.86 |
| 2013 SEP/BLEP | 159,999,199.61 | 15,270,697.55 | 15,026,778.69 | 63,554,735.53 | 66,146,987.84 | 144,728,502.06 |
| 2014 SEP/BLEP | 116,201,494.44 | 31,894,903.00 | 2,352,547.11 | 1,381,743.34 | 80,572,300.99 | 84,306,591.44 |
| 2015 SEP/BLEP | 13,367,625.77 | 0 | 4,207,518.61 | 4,066,592.21 | 5,093,514.95 | 13,367,625.77 |
| 2016 SEP/BLEP | (88,760.97) | 0 | 0 | (88,760.97) | 0 | (88,760.97) |
| 2017 SEP/BLEP | 16,723,902.18 | 0 | 0 | 0.23 | 16,723,901.95 | 16,723,902.18 |
| 2018 SEP/BLEP | 18,376,522.45 | 0 | 9,926,817.19 | 0 | 8,449,705.26 | 18,376,522.45 |
| 2019 SEP/BLEP | 402,923,541.65 | 34,808,800.92 | 232,689,518.56 | 135,425,222.17 | 0 | 368,114,740.73 |
| 2020 SEP/BLEP | 1,080,662,516.36 | 893,681,661.72 | 186,980,854.64 | 0 | 0 | 186,980,854.64 |
| 2021 SEP/BLEP | 135,974,835.54 | 135,974,835.54 | 0 | 0 | 0 | 0 |
| JICA Project | 102,208,428.31 | 31,855,826.40 | 70,352,601.91 | 0 | 0 | 70,352,601.91 |
| OPAPP ² | 25,112,408.01 | 0 | 0 | 0 | 25,112,408.01 | 25,112,408.01 |
| OPAPP – PAMANA ³ | 1,335,316.16 | 0 | 0 | 1,335,316.16 | 0 | 1,335,316.16 |

¹ Taken from NEA's eNGAs Subsidiary Ledger as of December 31, 2021 under the Due from NGOs/POs account

² OPAPP - Office of the Presidential Adviser on the Peace

³ OPAPP – PAMANA - Office of the Presidential Adviser on the Peace - PAYapa at MASaganang PamayaNAN

| Source Fund | Balance as of December 31, 2021 | Less Than 1 year (2021) | More than 1 year (2020) | More than 2 years (2019) | More than 3 years (2009-2018) | Amount Due for Liquidation |
|---|---------------------------------|-------------------------|-------------------------|--------------------------|-------------------------------|----------------------------|
| Subsidy for Ompong | 88,411,352.12 | 0 | 78,411,352.12 | 10,000,000.00 | 0 | 88,411,352.12 |
| Subsidy for Typhoon Rosita | 5,924,054.70 | 5,924,054.70 | 0 | 0 | 0 | 0 |
| Subsidy for Typhoon Tisoy | 90,939,764.30 | 90,939,764.30 | 0 | 0 | 0 | 0 |
| Subsidy for Typhoon Ursula | 185,276,232.65 | 185,276,232.65 | 0 | 0 | 0 | 0 |
| Subsidy for ARMED Conflict | 7,305,987.66 | 0 | 0 | 0 | 7,305,987.66 | 7,305,987.66 |
| Subsidy for LGU's/NGO's Resettlement Sites | 11,274,324.52 | 11,274,324.52 | 0 | 0 | 0 | 0 |
| Subsidy for Marawi Siege Rehab | 320,828,407.56 | 0 | 137,145,469.14 | 183,682,938.42 | 0 | 320,828,407.56 |
| Subsidy for NDRRM Fund NHA-Yolanda | 34,481,243.95 | 34,481,243.95 | 0 | 0 | 0 | 0 |
| Subsidy for NHA - Yolanda | 82,963,888.61 | 29,294,950.34 | 33,129,146.25 | 3,332,869.43 | 17,206,922.59 | 53,668,938.27 |
| Subsidy for Typhoon Quinta | 150,137,466.69 | 150,137,466.69 | 0 | 0 | 0 | 0 |
| YRRP (Yolanda Rehabilitation and Restoration Program) | 29,826,374.57 | 0 | 0 | 29,826,374.57 | 0 | 29,826,374.57 |
| Grand Total | 3,111,084,606.16 | 1,650,814,762.28 | 770,222,604.22 | 450,048,172.33 | 239,999,067.33 | 1,460,269,843.88 |

- a.5. The ideal amount of the *Due from NGOs/POs* account at the end of the year is the subsidy releases made during CY 2021.
- a.6. Following the above, the balance of the *Due from NGOs/POs* account at the end of CY 2021 should only be P1.650 billion, which is the unliquidated balance from the subsidy releases made during the CY 2021. Thus, the amount of P1.460 billion on subsidy releases from CYs 2009 to 2020 should have been liquidated and removed from the balance at the year-end.

b. Subsequent releases of regular subsidy funds to 26 ECs with unliquidated balances

b.1. Records showed that NEA released subsidies to some ECs even though their previous releases were still unliquidated which is not in accordance with Section 2 of COA Circular No. 2012-01, paragraph 3 of NEA Memorandum No. 2016-022 dated October 11, 2016, paragraph IV(B)6 of NEA Memorandum No. 2018-001 dated December 7, 2017, and paragraph VI(B)3 of NEA Memorandum No. 2019-001 dated January 9, 2019.

b.2. There were 26 ECs with unliquidated subsidy balances, yet additional subsidy funds were released to them, details are shown below:

| Name of EC | Region | Newly Released Subsidies in CY2021 | Outstanding Unliquidated Balance Released in CY 2009-2020 | | Total [c=a+b] |
|----------------------|--------|------------------------------------|---|-----------------------|-----------------------|
| | | | Regular Subsidy [a] | Calamity Grants [b] | |
| 1. BATANELCO | II | 4,390,294.33 | 64,183,165.87 | 10,410,720.15 | 74,593,886.02 |
| 2. CAGELCO II | II | 13,990.13 | 13,990.13 | 0 | 13,990.13 |
| 3. NUVELCO | II | 29,810,334.11 | 15,385,807.46 | 0 | 15,385,807.46 |
| 4. QUIRELCO | II | 1,016,598.13 | 2,398,341.47 | 0 | 2,398,341.47 |
| 5. OMECO | IV - B | 713,151.02 | 15,112,940.26 | 0 | 15,112,940.26 |
| 6. MASELCO | V | 22,454,474.13 | 64,123,652.92 | 0 | 64,123,652.92 |
| 7. AKELCO | VI | 40,920.66 | 11,715,459.36 | 17,472,286.67 | 29,187,746.03 |
| 8. GUIMELCO | VI | 27,752,896.25 | 220,555.91 | 0 | 220,555.91 |
| 9. NONECO | VI | 9,579,460.73 | 13,864,592.03 | 8,122,378.81 | 21,986,970.84 |
| 10. ZANECO | VI | 2,939,239.92 | 25,272,253.76 | 0 | 25,272,253.76 |
| 11. ZAMSURECO II | VI | 977,453.22 | 6,802,521.01 | 0 | 6,802,521.01 |
| 12. BANELCO | VII | 8,443,866.16 | 0 | 201,418.37 | 201,418.37 |
| 13. BOHECO II | VII | 8,716,072.91 | 16,509,094.74 | 0 | 16,509,094.74 |
| 14. NORECO II | VII | 57,679,513.71 | 6,464,890.51 | 0 | 6,464,890.51 |
| 15. SAMELCO I | VIII | 4,655,133.63 | 1,148,097.01 | 0 | 1,148,097.01 |
| 16. SUKELCO | VIII | 1,138,970.40 | 43,393,514.02 | 0 | 43,393,514.02 |
| 17. SURNECO | VIII | 1,024,312.09 | 1,566,252.38 | 0 | 1,566,252.38 |
| 18. SURSECO II | VIII | 694,112.05 | 35,572,513.03 | 0 | 35,572,513.03 |
| 19. TAWELCO | VIII | 4,494,869.98 | 17,243,328.67 | 0 | 17,243,328.67 |
| 20. FIBECO | X | 3,769,928.05 | 56,976,936.19 | 0 | 56,976,936.19 |
| 21. COTELCO | XII | 73,922,004.20 | (13,201,075.80) | 0 | (13,201,075.80) |
| 22. COTELCO - PPALMA | XII | 34,035,289.65 | 18,034,357.11 | 0 | 18,034,357.11 |
| 23. SOCOTECO I | XII | 36,060,830.05 | 252,437.71 | 0 | 252,437.71 |
| 24. LASURECO | ARMM | 14,008,650.53 | 74,221,695.26 | 320,828,407.56 | 395,050,102.82 |
| 25. MAGELCO | ARMM | 9,658,724.84 | 51,156,220.24 | 0 | 51,156,220.24 |
| 26. SIASELCO | CARAGA | 3,693,581.05 | 3,542,064.35 | 0 | 3,542,064.35 |
| Total | | 361,684,671.93 | 531,973,605.60 | 357,035,211.56 | 889,008,817.16 |

b.3. Interview with the concerned personnel from the Total Electrification and Renewable Energy Development Department (TERRED) and

Accounts Management & Guarantee Division (AMGD) disclosed that NEA is allowed to release subsidy funds to ECs with unliquidated subsidy/ies for calamity projects only and the said releases will be used exclusively for the rehabilitation and restoration of distribution lines programs affected by calamities such as typhoons, earthquakes, or armed conflict like the Marawi Siege, etc.

- b.4. The instances where subsidies can be released to the ECs even with unliquidated balances are shown below:

| | Existing and unliquidated subsidy | Type of New Project Requested | Remarks |
|---|-----------------------------------|---------------------------------------|-------------|
| 1 | SEP/ BLEP | SEP/ BLEP | Not Allowed |
| 2 | SEP/ BLEP | CALAMITY/Rehabilitation/ Emergency | Allowed |
| 3 | CALAMITY | SEP/ BLEP | Not Allowed |

- b.5. NEA authorized the immediate release of subsidy funds to ECs with unliquidated balance for CYs 2018 to 2020 SEP Projects, CYs 2011 to 2016 subsidy savings, JICA Bangsamoro project, and various calamities grants through several memoranda it issued, details are shown in table below.

List of Memoranda Authorizing the Release of Subsidy Funds

| | Date | Memorandum Issued to | Subject | Provisions excerpt from the Memorandum |
|---|-------------|--|--|---|
| 1 | 09/15/2020 | AMGD ⁴ FSD ⁵ TEREDD ⁶ | Release of Funds for 2020 SEP GAA Subsidy | Paragraph 3 states, <i>"In this regard, you are directed to urgently process the release of the Subsidy Funds for the 2020 SEP Subsidy to the identified ECs, <u>with the Subsidy Funds from prior years yet to be liquidated notwithstanding.</u> Purpose of which, is to meet the targets and liquidation in time for expected cut-offs."</i> |
| 2 | 07/11/2019 | | Release of Funds for 2019 SEP GAA Subsidy | Paragraph 3 states that <i>"In this regard, you are directed to urgently process the release of the Subsidy Funds for the 2019 SEP Subsidy to the identified EC, <u>with the Subsidy Funds from prior years yet to be liquidated notwithstanding.</u>"</i> |
| 3 | 02/21/ 2019 | | Release of Funds for 2011 – 2016 Subsidy Savings | Paragraph 3 states that <i>"In this regard, you are directed to urgently process the release of the Subsidy Funds for the 2011 – 2016 Subsidy Savings to the identified EC, <u>with the Subsidy Funds from prior years yet to be liquidated notwithstanding.</u>"</i> |

⁴ AMGD - Accounts Management & Guarantee Department

⁵ FSD - Finance Services Department

⁶ TEREDD - Total Electrification and Renewable Energy Development Department)

| | Date | Memorandum Issued to | Subject | Provisions excerpt from the Memorandum |
|---|------------|--|---|--|
| 4 | 06/14/2018 | AMGD ⁴ FSD ⁵ ATEO ⁷ | Release of 2018 Subsidy Funds | Paragraph 3 states, <i>"In this regard, you are directed to urgently process the release of the Subsidy Funds for the 2018 SEP Projects to the identified Electric Cooperatives, with the Subsidy Funds from prior years yet to be liquidated notwithstanding."</i> |
| 5 | 01/28/2021 | CRFSD ⁸ Deputy Admin for Technical Services AMGD ⁴ FSD ⁵ Department Manager for Engineering | Release of P145M Philippine Counterpart for JICA Bangsamoro Project. | Paragraph 7 and 8 states, <i>"To this end, the Request for Authority on Releasing the Php145M Philippine Counterpart for JICA Bangsamoro Project dated January 28, 2020, has been duly approved."</i> <i>"In view of the foregoing, all concerned Department Managers are hereby advised to facilitate the release of the funds <u>notwithstanding the EC beneficiaries' unliquidated subsidies from previous years.</u>"</i> |
| 7 | 03/03/2021 | | Release of Funds for Calamity Grants for Tropical Cyclone: Tisoy, Ursula, Rosita, and Usman | Paragraph 4 states that <i>"Relative to this, considering the need for an immediate response, you are directed to process the release of the above-mentioned calamity funds to recipient ECs (except ALECO) <u>notwithstanding the unliquidated subsidies from prior releases xxx.</u>"</i> |

- b.6. It was emphasized in the above memoranda that NEA must exert efforts to monitor the project implementation and the ECs must submit the Liquidation Reports before the year ends.
- b.7. Simultaneous processing and releasing of subsidies to various ECs without proper assessment and taking into consideration their unliquidated balances from previous subsidy releases will only result in further accumulation of unliquidated subsidy funds. Thus, from the unliquidated subsidy of P2.775 billion as of December 31, 2020, an increase of P335.192 million was noted, making the unliquidated subsidy of P3.111 billion as of December 31, 2021, as presented in Paragraph 6.3 [a.4].
- b.8. The balance of unliquidated subsidies could have been lowered or reduced had NEA strictly observed the guidelines in Section 2 of COA Circular No. 2012-01, paragraph 3 of NEA Memorandum No. 2016-022, paragraph IV(B)6 of NEA Memorandum No. 2018-001, and paragraph VI(B)3 of NEA Memorandum No. 2019-001 before releasing additional subsidies.

⁷ ATEO - Accelerated Total Electrification Office

⁸ CRFSD – Corporate Resources Financial Services Department

- 6.4. **We reiterated our recommendations and Management agreed to:**
- a. **Require the AMGD to instruct the concerned ECs to liquidate immediately the subsidy funds amounting to P1.460 billion already due for liquidation pursuant to Section 4.5.6 of COA Circular No. 2007-001 and Section 4 of the MOA between the NEA and ECs; and**
 - b. **Stop releasing regular subsidy funds to ECs with unliquidated balances pursuant to Section 2 of COA Circular No. 2012-01, paragraph 3 of NEA Memorandum No, 2016-022, paragraph IV(B)6 of NEA Memorandum No. 2018-001 and paragraph VI(B)3 of NEA Memorandum No. 2019-001.**
- 6.5. Management commented that out of P1.460 billion, a total of P647.560 million or 44 percent was already liquidated as of April 30, 2022, leaving a balance of P812.710 million. As regards the “less than one-year” unliquidated subsidies, 21 percent or P344.280 million were already liquidated. NEA AMGD is exerting its best effort to manage effectively the liquidation of the subsidy funds released to the ECs by closely monitoring the submission of the required liquidation documents based on the COA checklist provided.
- 6.6. As a rejoinder, we recommended that AMGD continuously enforce the immediate liquidation of the remaining P812.71 million already due for liquidation.

Unexpended Subsidy Balance

7. **The non-remittance of the ECs’ unexpended subsidy balance totaling P1.107 billion as of December 31, 2021, for projects implemented by 44 ECs audited in CYs 2013 to 2020, is contrary to Section 4.5.6 of COA Circular No. 2007-001 and Section 7 of the MOA between NEA and the ECs, requiring their immediate return to NEA, which deprived the government the utilization of the said funds to other important projects.**

This is a reiteration of our previous years’ audit observation.

- 7.1. Section 4.5.6 of COA Circular No. 2007-001 is presented in paragraph 6.1.a on page 46.
- 7.2. Section 7 of the Memorandum of Agreement (MOA) between NEA and the ECs provides that:

For Funds released to ECs before CY 2011 -

It is agreed that all amounts in excess of total disbursements and cost of the unimplemented project including interest earned thereon shall be 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 and rehabilitation of distribution lines and/or system damaged by typhoon, earthquakes

and other related natural calamities. Excess subsidy fund representing allocated amount less actual cost and/or cost of the unimplemented project may be re-allocated to other qualified subsidy funded projects of the recipient EC subject to prior approval by NEA. Thus, the RECIPIENT may request authority to use the savings/balance as well as interests accruing to the fund for activities allied to the project. (Underscoring ours)

For Funds released to ECs in CY 2011 and onwards -

It is agreed that all amount in excess of total disbursements and cost of the 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. (Underscoring ours)

- 7.3. Pursuant to its mandate, NEA releases funds received from the National Government (NG) to various ECs to implement the Rural Electrification Program (REP) for the electrification of depressed, low income, remote sitios/barangays/ islands and for the restoration of power and rehabilitation of distribution lines damaged by typhoons, earthquakes, and other calamities.
- 7.4. Review of updated AFs, approved request for realignment, schedules, and other related liquidation documents, revealed that the remaining unexpended balance to be returned by ECs as of December 31, 2021 is P1.107 billion, summarized as follows:

Summary of Unexpended Balance as of December 31, 2021

| Year Audited ⁹ | Unexpended Balance as of January 1, 2021 | Amount Returned in CY 2021 | Adjustments | Unexpended Balance as of December 31, 2021 |
|---|--|----------------------------|----------------------|--|
| ECs audited in CYs 2014 to 2020 as contained in AOM No. 2021-014 | | | | |
| CY 2020/ BARMM ECs | | | | |
| 2019 | 538,544,065.95 | 18,271,825.04 | 485,775.24 | 519,786,465.67 |
| 2018 | 205,920,940.52 | 12,621,465.92 | 4,618,439.38 | 188,681,035.22 |
| 2017 | 43,535,520.94 | 9,800,872.70 | 4,743,686.62 | 28,990,961.62 |
| 2016 | 35,136,034.69 | 1,432,683.25 | 14,417,416.83 | 19,285,934.61 |
| 2015 | 302,905,320.56 | 13,722,163.23 | 6,472,155.66 | 282,711,001.67 |
| 2014 | 35,129,598.18 | 2,711,105.70 | 1,034,359.67 | 31,384,132.81 |
| 2014 | 5,955,348.56 | 105,076.53 | 1,084,314.00 | 4,765,958.03 |
| Subtotal | 1,167,126,829.40 | 58,665,192.37 | 32,856,147.40 | 1,075,605,489.63 |
| Additional seven ECs with Unexpended Subsidy Balance: | | | | |
| 2018 | 18,340,911.75 | 3,000,000.00 | 0.00 | 15,340,911.75 |
| 2014 | 4,265,556.16 | 0.00 | 0.00 | 4,265,556.16 |
| 2013 | 11,594,204.85 | 0.00 | 0.00 | 11,594,204.85 |
| Subtotal | 34,200,672.76 | 3,000,000.00 | 0.00 | 31,200,672.76 |
| Grand Total | 1,201,327,502.16 | 61,665,192.37 | 32,856,147.40 | 1,106,806,162.39 |

⁹ With fund releases to EC before CY 2011

7.5. The discussion on the above unexpended balance follows:

a) For ECs audited in CYs 2014 to 2020 as contained in Audit Observation No. 6, pages 61-67 of AAR for 2020

The 48 ECs audited in CYs 2014 to 2020 had a total unexpended balance of P1.167 billion as of December 31, 2020. Of the 48 ECs, 23 ECs returned their unexpended balances of P58.665 million wherein 11 ECs had returned the full amount of unexpended balances.

Upon verification and evaluation of additional liquidation documents such as an updated AF, approval for realignment request, and other related documents and schedules, a total of P32.856 million was considered and allowed in the audit. Thus, the remaining unexpended subsidy balance that needs to be returned or remitted by the 37 ECs to NEA was reduced to P1.076 billion as of December 31, 2021 pursuant to Section 7 of the MOA. The details are shown below:

List of 48 ECs with Unexpended Subsidy Balance as of December 31, 2021

| No. | Name of EC | Unexpended Balance as of January 1, 2021 | Amount Returned in CY 2021 | Adjustments C | Unexpended Balance as of December 31, 2021 |
|--------------------|-----------------------------|---|----------------------------------|---------------------|--|
| | | a | b | | d=a-b-c |
| 1 | MAGELCO | 306,393,229.46 | 8,000,000.00 | | 298,393,229.46 |
| 2 | BASELCO | 24,664,014.59 | 158,132.94 | | 24,505,881.65 |
| 3 | LASURECO | 129,753,725.50 | 8,116,904.32 | | 121,636,821.18 |
| 4 | SULECO | 24,826,193.28 | 1,053,034.42 | | 23,773,158.86 |
| 5 | TAWELCO | 43,958,385.59 | 800,000.00 | | 43,158,385.59 |
| 6 | SIASELCO | 8,948,517.53 | 143,753.36 | 485,775.24 | 8,318,988.93 |
| Total BARMM | | 538,544,065.95 | 18,271,825.04 | 485,775.24 | 519,786,465.67 |
| 7 | CASURECO I | 40,978,869.51 | | | 40,978,869.51 |
| 8 | CASURECO II | 1,287,969.56 | | | 1,287,969.56 |
| 9 | CASURECO III | 6,548,473.26 | | | 6,548,473.26 |
| 10 | CANORECO SEP/BLEP | 9,583,126.19 | 3,076,910.91 | 688,428.24 | 5,817,787.04 |
| | CANORECO Calamity Grants | 4,042,203.54 | | | 4,042,203.54 |
| 11 | SORECO II | 52,924,696.67 | 2,716,937.47 | 3,930,011.14 | 46,277,748.06 |
| 12 | SAMELCO II SEP/BLEP | 58,400,967.40 | 6,827,617.54 | | 51,573,349.86 |
| | SAMELCO II NHAYRPS | 148,715.22 | | | 148,715.22 |
| 13 | DORECO | 31,782,018.09 | | | 31,782,018.09 |
| 14 | PELCO I | 223,901.08 | | | 223,901.08 |
| Total 2019 | | 205,920,940.52 | 12,621,465.92 | 4,618,439.38 | 188,681,035.22 |
| 15 | ISELCO I | 23,797,342.99 | 579,620.31 | 2,945,203.80 | 20,272,518.88 |
| 16 | MORESCO II | 4,639,464.98 | 2,170,520.12 | 1,798,482.82 | 670,462.04 |
| 17 | SOLECO | 8,047,980.70 | | | 8,047,980.70 |
| 18 | SURSECO II | 7,050,732.27 | 7,050,732.27 | | 0.00 |
| Total 2018 | | 43,535,520.94 | 9,800,872.70 | 4,743,686.62 | 28,990,961.62 |

| No. | Name of EC | Unexpended Balance as of January 1, 2021 a | Amount Returned in CY 2021 b | Adjustments C | Unexpended Balance as of December 31, 2021 d=a-b-c |
|------------------------|-------------|--|---------------------------------------|----------------------|---|
| 19 | OMECCO | 14,420,100.08 | 2,683.25 | 14,417,416.83 | 0.00 |
| 20 | BOHECO II | 1,489,181.75 | | | 1,489,181.75 |
| 21 | NOCECO | 6,818,820.12 | | | 6,818,820.12 |
| 22 | BENECO | 2,674,044.28 | | | 2,674,044.28 |
| 23 | ILECO I | 5,089,175.65 | | | 5,089,175.65 |
| 24 | LUBELCO | 4,644,712.81 | 1,430,000.00 | | 3,214,712.81 |
| Total 2017 | | 35,136,034.69 | 1,432,683.25 | 14,417,416.83 | 19,285,934.61 |
| 25.1 | LEYECO III | 5,620,546.88 | 951,125.56 | | 4,669,421.32 |
| 26.1 | DORELCO | 795,556.86 | | | 795,556.86 |
| 27 | LEYECO V | 11,395,666.88 | 11,395,666.88 | | 0.00 |
| 28 | BATELEC I | 4,515.02 | 4,515.02 | | 0.00 |
| 29 | ZAMSURECO I | 8,370,855.77 | 1,370,855.77 | 7,000,000.00 | 0.00 |
| 30 | DASURECO | 2,014,678.52 | | (527,844.34) | 2,542,522.86 |
| Subtotal | | 28,201,819.93 | 13,722,163.23 | 6,472,155.66 | 8,007,501.04 |
| 25.2 | LEYECO III | 77,851,469.50 | | | 77,851,469.50 |
| 26.2 | DORELCO | 194,866,284.98 | | | 194,866,284.98 |
| 30 | LEYECO IV | 1,985,746.15 | | | 1,985,746.15 |
| Subtotal | | 274,703,500.63 | 0.00 | 0.00 | 274,703,500.63 |
| Total 2016 | | 302,905,320.56 | 13,722,163.23 | 6,472,155.66 | 282,711,001.67 |
| 32 | ANECO | 1,815,841.74 | | | 1,815,841.74 |
| 33 | ANTECO | 1,912,936.47 | | 1,912,936.47 | 0.00 |
| 34 | COTELCO | 4,232,080.49 | | (1,437,197.29) | 5,669,277.78 |
| 35 | GUIMELCO | 204,850.00 | 204,850.00 | | 0.00 |
| 36 | ILECO II | 10,775,333.79 | | | 10,775,333.79 |
| 37 | NONECO | 1,608,797.66 | 208,640.96 | | 1,400,156.70 |
| 38 | NORECO I | 10,142,742.27 | | | 10,142,742.27 |
| 39 | ROMELCO | 1,196,128.38 | | 749,193.48 | 446,934.90 |
| 40 | SURSECO II | 48,783.33 | 48,783.33 | | 0.00 |
| 41 | BISELCO | 2,248,831.41 | 2,248,831.41 | | 0.00 |
| 42 | SOCOTECO I | 943,272.64 | | (190,572.99) | 1,133,845.63 |
| Total 2015 | | 35,129,598.18 | 2,711,105.70 | 1,034,359.67 | 31,384,132.81 |
| 43 | MASELCO | 1,499,316.51 | | | 1,499,316.51 |
| 44 | NEECO II-A2 | 105,076.53 | 105,076.53 | | 0.00 |
| 45 | BATANELCO | 360,146.31 | | | 360,146.31 |
| 46 | AKELCO | 1,084,314.00 | | 1,084,314.00 | 0.00 |
| 47 | PANELCO I | 199,211.50 | | | 199,211.50 |
| 48 | SURSECO I | 2,707,283.71 | | | 2,707,283.71 |
| Total 2014 | | 5,955,348.56 | 105,076.53 | 1,084,314.00 | 4,765,958.03 |
| Total 2014-2019 | | 628,582,763.45 | 40,393,367.33 | 32,370,372.16 | 555,819,023.96 |
| Grand Total | | 1,167,126,829.40 | 58,665,192.37 | 32,856,147.40 | 1,075,605,489.63 |

During CYs 2021 to 2022, this Office sent letters to the COTELCO, ISELCO I, GUIMELCO, and MORESCO II, thru NEA's Office of the Deputy Administrator for Corporate Resources and Financial Services (CRFS), informing them of their remaining unexpended balances.

Although 11 of the 37 ECs with unexpended balances submitted their updated AFs, additional liquidation documents, and approved realignment, these cannot be considered outright deductions from their unexpended balance because they are still subject to validation.

b) Additional unexpended balances of P31.200 million were not returned to NEA as of the year-end by seven ECs audited in CYs 2013 to 2018

Aside from the 48 ECs audited in CYs 2014 to 2020, seven ECs audited in CYs 2013 to 2018 have unexpended balances of P31.200 million which were not included in the above-mentioned observation and remain unremitted/unreturned to NEA as of December 31, 2021. Details are shown below:

List of Additional ECs with Unexpended Balance

| No. | Name of EC | Unexpended Balance as Reported in Management Letter (ML) | Amount Returned to NEA After the issuance of ML up to 12/31/2020 | Approved Realignment | Unexpended Balance as of 12/31/2020 | Amount Returned in CY 2021 | Unexpended Balance as of 12/31/2021 |
|----------------|----------------------------|--|--|----------------------|-------------------------------------|----------------------------|-------------------------------------|
| CY 2018 | | | | | | | |
| | TISELCO-SEP/BLEP | 13,229,029.12 | 2,793,779.30 | | 10,435,249.82 | 3,000,000.00 | 7,435,249.82 |
| 1 | TISELCO-YRRP | 169,147.29 | | | 169,147.29 | | 169,147.29 |
| | Subtotal | 13,398,176.41 | 2,793,779.30 | 0.00 | 10,604,397.11 | 3,000,000.00 | 7,604,397.11 |
| | TISELCO-Prior Year's Audit | 7,736,514.64 | 0.00 | 0.00 | 7,736,514.64 | | 7,736,514.64 |
| | Total | 21,134,691.05 | 2,793,779.30 | 0.00 | 18,340,911.75 | 3,000,000.00 | 15,340,911.75 |
| CY 2014 | | | | | | | |
| 2 | FLECO | 5,519,621.45 | 2,013,574.41 | | 3,506,047.04 | | 3,506,047.04 |
| 3 | CAGELCO II | 16,600,242.37 | 5,146,098.61 | 10,694,634.64 | 759,509.12 | | 759,509.12 |
| | Total | 22,119,863.82 | 7,159,673.02 | 10,694,634.64 | 4,265,556.16 | 0.00 | 4,265,556.16 |
| CY 2013 | | | | | | | |
| 4 | AURELCO | 481,182.48 | | | 481,182.48 | | 481,182.48 |
| 5 | KAELCO | 10,777,033.07 | 3,188,800.23 | | 7,588,232.84 | | 7,588,232.84 |
| 6 | TARELCO I | 7,043,358.45 | 803,811.84 | 3,293,189.02 | 2,946,357.59 | | 2,946,357.59 |
| 7 | QUEZELCO I | 2,274,856.78 | 1,696,424.84 | | 578,431.94 | | 578,431.94 |
| | Total | 20,576,430.78 | 5,689,036.91 | 3,293,189.02 | 11,594,204.85 | 0.00 | 11,594,204.85 |
| | Grand Total | 63,830,985.65 | 15,642,489.23 | 13,987,823.66 | 34,200,672.76 | 3,000,000.00 | 31,200,672.76 |

7.6. The MLs issued on CYs 2013 to 2018 reported seven additional ECs with total unexpended balance of P63.830 million. After considering the total amount of P15.642 million returned/remitted by those ECs to NEA and approval of the requested realignment of two ECs totaling P13.988 million, the adjusted unexpended balance of the seven ECs was reduced to P34.200 million as of December 31, 2020.

a. The TISELCO's unexpended balance of P10.604 million on projects released from January 1, 2007 to June 30, 2018 and P7.736 million released from February 6, 1997 to December 15, 2003 shown in the table above, were just lifted from AOM Nos. 2021-005 and 2021-006 which were issued on March 5,

2021 and May 7, 2021, respectively. After considering the amount of P3.000 million returned/remitted during CY 2021, the total unexpended balance that needs to be returned by TISELCO to NEA as of December 31, 2021, is reduced to P15.340 million.

- b. On KAELCO's unexpended balance of P7.588 million as of December 31, 2020, the additional expenses totaling P4.318 million for seven projects reported in the Status of the Unexpended Balance as of February 29, 2016, of the KAELCO's Finance Services Department (FSD) Manager, could not be validated due to the lack or absence of supporting documents such as updated AFs, Check Vouchers (CVs), as-built staking sheets, official receipts, among others.
 - c. While the additional expenses totaling P3.269 million for another two projects of KAELCO could not be considered in the audit because of the lacking documents, such as CVs, as-built staking sheets, certificate of energized and completion reports, official receipts, and other pertinent liquidation documents. Instead, an Affidavit of Loss was submitted explaining that their non-submission was due to the EC's transfer of office.
 - d. As regards the unexpended balance of FLECO, AURELCO, and TARELCO I, additional liquidation documents were submitted for subsidy released in CYs 2015 to 2017 but they are still subject to validation. The mere submission of additional liquidation documents does not mean an outright deduction from the unexpended balance of an EC.
- 7.7. Thus, the non-remittance of unexpended balance totaling P1.107 billion by the 44 ECs audited in CYs 2013 to 2020 is not compliant with the provisions in the above COA Circular No. 2007-001 and MOA between NEA and the ECs, requiring their immediate return to NEA, hence, deprived the government to utilize the said funds to other important projects.
- 7.8. ***We reiterated our recommendations that Management direct the AMGD to:***
- a. ***Collect the total unexpended balance of P1.107 billion from the 44 ECs audited in CYs 2013 to 2020 pursuant to Section 7 of the MOA and Section 4.5.6 of COA Circular No. 2007-001; and***
 - b. ***Monitor the timely return of unexpended balances reported by the ECs in their AFs on liquidation of subsidy releases.***
- 7.9. Management explained that as of May 13, 2022, an additional P24.455 million was returned out of the P1.107 billion unexpended balance as of December 31, 2021, leaving a balance of P1.083 billion. Of the 48 ECS with unexpended subsidy balances, 11 ECs returned the full amount of unexpended balances, 21 have pending requests for reconsideration and awaiting COA's re-evaluation, COA AOM and letters were issued to six ECs and no action was taken by 10 ECs.

- 7.10. The Team validated and considered the following adjustments and returns/remittances of the 44 ECs audited in CY 2014 to 2020, thus, the unexpended balance as of May 15, 2022 reduced to P1.090 billion:
- a. Advance loan amortization of SIASELCO booked under the *Other Deferred Credits* account amounting to P485,775.24 were applied as partial payment of their unexpended balance per JEV No. 2021-11-005318 pursuant to the SIASELCO's letter to AMGD dated October 12, 2021;
 - b. Amount returned/remitted by the ECs to NEA totaling P9.002 million; and
 - c. Conversion of unexpended subsidy of TISELCO into loan amounting to P7.736 million on November 11, 2021.

Calamity Grants in Areas Affected by Typhoon Yolanda

8. Deficiencies were noted in the accounting for Calamity Grants to ECs in areas affected by Typhoon Yolanda, to wit:

- a. **Reverted calamity grants to Camotes Electric Cooperative, Inc. (CELCO) and Don Orestes Romualdez Electric Cooperative, Inc. (DORELCO) in the amount of P21.890 million were not returned to the Yolanda Resettlement and Rehabilitation Program (YRRP) Fund or redeposited to the *f-LCCA – DBP NY* account, contrary to NEA Memorandum No. 2016-006 dated June 2, 2016; and**
- b. **Error in posting the interest earned and unexpended funds returned by the ECs totaling P3.416 million to various Subsidiary Ledger (SL) accounts instead of to the *CIB-LCCA – DBP NY* account dedicated for Calamity Grants.**

8.1. Our audit is guided by the following provisions:

- a. NEA Memorandum No. 2016-006 dated June 2, 2016, issued to all ECs provides the Policy background on the conversion of calamity loans into calamity grants/subsidies as follows:

NEA is releasing calamity loans to the ECs funded by internally generated funds (IGF) for the rehabilitation of damaged distribution lines and immediate restorations of power in the coverage areas caused by typhoons, earthquakes, and other natural calamities in accordance with NEA Loan Policy No. 6E, as amended, which provides the guidelines in granting loan advances as emergency/calamity loans, and concessional/emergency calamity loans to ECs. (underscoring ours)

- b. Unnumbered NEA Memorandum dated February 20, 2014, issued to all ECs affected by Typhoon Yolanda provides *for which project does the YRRP subsidy fund can be used*, enumerated as follows:

- i. Total Rehabilitation/Restoration projects which cover replacement of the damaged electric distribution system including substation, poles, transformers, conductors, hardware, service drop wires, and kWh meters;
- ii. Repair/Rehabilitation of damaged substation, communication equipment, vehicles, and headquarters; and
- iii. Replacement of damaged linemen tools.

8.2. Review and validation of the transactions lodged under the *CIB-LCCA – DBP NY, Other Payables, and Due from NGOs/POs for YRRP, NDRRM NHA-RS, and NHA-YPRS* accounts from January 1, 2014 to December 31, 2021, disclosed the following:

a. **The reverted calamity loan amounting to P21.890 million was not yet returned to the YRRP fund contrary to NEA Memorandum No. 2016-006 dated June 2, 2016.**

a.1. The Calamity Grants totaling P21.890 million granted to CELCO and DORELCO funded from *CIB-LCCA – DBP NY* account were reverted to Calamity Loan.

| Particulars | Amount |
|---|----------------------|
| <u>Returned by ECs to NEA</u> | |
| Interest earned returned by ECs | 138,789.25 |
| Excess/unexpended funds returned by ECs to NEA | 3,276,996.34 |
| Sub-total | 3,415,785.59 |
| <u>COA's Recommendation</u> | |
| Costs improperly charged to YRRP in relation to AAR 2016 B AOR 8 pages 135-139 and AAR 2016 B AOR 2 pages 116-121 for CELCO and DORELCO | 21,890,529.09 |
| Grand Total | 25,306,314.68 |

a.2. Initially, CELCO was granted a Calamity Loan which was converted into a Calamity Grant. NEA transferred funds from *CIB-LCCA-DBP NY* to *Cash in Bank – Local Currency, Current Account-Administrative Fund (CIB-LC, CA- AF)* to fund the calamity loan.

a.3. However, the disbursements totaling P17.390 million charged to the Calamity Grants of DORELCO in the implementation of the project were not considered in the subsidy audit. Likewise, the cost of vehicles purchased and the new building constructed totaling P4.500 million by the CELCO charged to the Calamity Grants was also disallowed in the audit. A total disallowance of P21.890 million was then reported in the CY 2016 Annual Audit Report (AAR).

a.4. Said amount of P21.890 million was then reverted to the Calamity Loan upon the request of the two ECs as contained in a Memorandum dated

September 6, 2018 endorsed and approved by NEA's Acting Deputy Administrator, Corporate Resources and Financial Services, and by NEA's Administrator, respectively.

- a.5. The reversion was recorded in NEA's book under JEV Nos. 2018-09-006228 and 2017-06-004269 as a debit to *Loans Receivable-Others* account and a credit to *Other Payables* account by the same amount of P21.890 million.
- a.6. The fund under *CIB-LCCA-DBP NY* account solely dedicated for Calamity Grants can never be used for any other purposes as enumerated in the Memorandum to ECs dated February 20, 2014, affected by Typhoon Yolanda.
- a.7. Since the calamity grants were reverted into a calamity loan, the loan must be funded by the IGF under SL account no. 111-1872-1026-51 as emphasized in NEA Memorandum No. 2016-006 dated June 2, 2016
- a.8. However, there was no document evidencing that the amount of P21.890 million was reverted to the YRRP's *CIB-LCCA-DBP NY* account as of December 31, 2021.

b. Erroneous posting of interest earned and unexpended funds returned by the ECs totaling P3.416 million to various SL accounts.

- b.1. Further review of JEVs for interest earned and excess/unexpended funds returned by ECs to NEA disclosed that the amount of P3.416 million was erroneously posted to the following SL accounts instead of *CIB-LCCA- DBP NY* account:

| SL Code in e-ENGAS | SL Account Title | Amount |
|-----------------------|--|---------------------|
| 102-0140 | Cash-Collecting Officers | 64,577.52 |
| 112-5-10871-455-2 | Cash in Bank-Local Currency, Savings Account | 13,930.71 |
| 111-1872-1026-43 | Cash in Bank-Local Currency, Current Account (LBP-Barangay Electrification Fund) | 3,103,545.90 |
| 111-1872-1026-51 | Cash in Bank-Local Currency, Current Account (LBP-Administrative Fund) | 17,643.55 |
| 111-1872-1023-09 | Cash in Bank-Local Currency, Current Account (LBP-SDSLP) | 216,087.71 |
| Grand Total | | 3,415,785.39 |

- b.2. This resulted in the understatement of the *CIB-LCCA – DBP NY* account by P3.416 million and the corresponding overstatement of the above-cited SL accounts.

8.3. **We recommended that Management:**

- a. **Direct the Treasury Division to return the P21.890 million drawn from the CIB-LCCA – DBP NY account to fund the reversion of the Calamity grants pursuant to the NEA Memorandum No. 2016-006 dated June 2, 2016; and**
- b. **Direct the Finance Services and Accounting Division (FSAD) to correct the erroneous posting of the interest earned, and the returned unexpended fund totaling P25.306 million.**

8.4. Management commented that they will comply with the transfer of P21.890 million to the CIB-LCCP-DBP NY account. Reconciliation will be conducted, and the appropriate journal entries will be made upon the actual fund transfer of the erroneously deposited interest earned and unexpended fund.

Sorsogon II Electric Cooperative, Inc.'s (SORECO II's) compliance on remaining subsidy funds

9. **The total unexpended balance of P46.278 million pertaining to the following projects was not yet returned/remitted by SORECO II due to NEA's non-enforcement of Sections 2 and 7 of MOA between them:**

- a. **Restoration of power and rehabilitation of damaged distribution lines caused by Typhoon Glenda amounting to P31.030 million;**
- b. **Six SEP amounting to P7.584 million; and**
- c. **Unutilized housewiring program due to 3,065 unserved potential households in the amount of P7.662 million.**

This is a reiteration of previous years' audit findings.

9.1. The bases of our audit are the following:

- a. Sections 2 and 7 of the MOA between the NEA and SORECO II provide the following:

Section 2 - THE RECIPIENT shall use the funds, which maybe 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. Appropriate actions shall be imposed on any Board of Directors who voted affirmatively to the diversion of funds or otherwise violated this provision and any officer or employee who implemented the same.

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. NEA Memorandum Circular No. 2013-022 dated 30 September 2013 provides that the request of ECs for written authority from NEA to use the savings/balances of subsidy funds shall be considered only for balances amounting to P100,000 and above. Excess balances below P100,000 shall be returned to NEA one month after NEA final inspection and acceptance. ECs requesting for realignment are given three (3) months from NEA final inspection and acceptance. Request for realignment shall no longer be accepted beyond this period.

- b. NEA Memorandum No. 2013-023 dated October 10, 2013 issued to all ECs requires the submission of original documents to support the liquidation of subsidy funds. It categorically enumerates the required documents necessary for the liquidation of the subsidy fund which includes among others, Materials Charge Tickets (MCTs), Materials Credit Tickets (MCTs), Disbursement Vouchers (DVs) and its supporting documents.
- c. Also, NEA issued Memorandum No. 2015-012 dated May 26, 2015, addressed to all ECs relative to the COA Audit Observations on the unexpended/excess of the Subsidy Funded Projects not returned to NEA.

9.2. As of December 31, 2021, the remaining unexpended/unutilized subsidy that should be remitted by SORECO II to NEA is P46.278 million after validation of additional liquidation documents, broken down as follows:

| Project Description | Unremitted Unexpended Subsidy balance as of June 30, 2019 (Per ML) | Adjustments | Adjusted Unremitted Unexpended Subsidy balance as of December 31, 2021 |
|---|--|--------------|--|
| a. Restoration of power and Rehabilitation of damaged distribution lines caused by Typhoon Glenda | 37,006,674.45 | 5,976,296.42 | 31,030,378.03 |

| Project Description | Unremitted Unexpended Subsidy balance as of June 30, 2019 (Per ML) | Adjustments | Adjusted Unremitted Unexpended Subsidy balance as of December 31, 2021 |
|--|--|---------------------|--|
| b. SEP | 7,592,618.23 | 7,748.20 | 7,584,870.03 |
| Total | 44,599,292.68 | 5,984,044.62 | 38,615,248.06 |
| Add/(deduct): | | | |
| c. Unutilized Housewiring Program funds due to the unserved 3,065 Potential households | 7,662,500.00 | 0.00 | 7,662,500.00 |
| Total | 52,261,792.68 | 5,984,044.62 | 46,277,748.06 |

9.3. The ML issued to the SORECO II on October 23, 2019, on the audit of the subsidy fund released for the restoration of power and rehabilitation of damaged distribution lines caused by Typhoon Glenda and six SEP projects, covering the period from September 17, 2012 to June 30, 2019, reported that the total unexpended/unutilized subsidy balance of P44.599 million remain unremitted/unreturned to NEA as of June 30, 2019, details as follows:

Unutilized/Unexpended Balance of Subsidy

| Project Description/ Source Fund | Total Amount Received by SORECO II (A) | Amount Utilized | | | Unexpended Balance | | Per Audit | |
|--|---|-----------------|------------------|-------------------------|--------------------|------------------------|-------------------------------|--|
| | | Per EC (B) | Per Audit (C) | Difference D=(B - C) | Per EC E=(A-B) | Per Audit F=(A - C) | Amount Returned to NEA (G) | Adjusted unexpended balance H=(F - G) |
| Restoration of power and Rehabilitation of damaged distribution lines caused by Typhoon Glenda | 84,672,000.00 | 82,554,600.70 | 45,356,327.12 | 37,198,273.58 | 2,117,399.30 | 39,315,672.88 | 2,308,998.43 | 37,006,674.45 |
| Six SEP projects under 2012-2016 source funds | 176,003,321.13 | 171,587,753.32 | 164,718,570.08 | 6,869,183.24 | 4,415,567.81 | 11,284,751.05 | 3,692,132.82 | 7,592,618.23 |
| Grand Total | 260,675,321.13 | 254,142,354.02 | 210,074,897.20 | 44,067,456.82 | 6,532,967.11 | 50,600,423.93 | 6,001,131.25 | 44,599,292.68 |

9.4. Initially, SORECO II reported an unexpended balance of P6.532 million in its AF, however, upon validation of the additional documents submitted to the Audit Team, a difference of P44.067 million was noted. Of which P37.198 million was attributed for the restoration of power and rehabilitation of damaged distribution lines caused by Typhoon Glenda and the remaining P6.869 million for the six SEP Projects. Thus, as of June 30, 2019, the adjusted balance of the unremitted unexpended subsidy was P50.600 million. After considering the remittance of P6.001 million by SORECO II to NEA, the adjusted balance of unremitted unexpended subsidy was reduced to P44.599 million as of September 30, 2021 (refer to the preceding Table).

a. For Typhoon Glenda

A difference of P37.198 million was noted due to the following: a) inclusion of costs not directly attributable to the projects totaling P22.491 million; b) lack of supporting documents amounting to P11.616 million; and c) double charging of Special Equipment Materials Request (SEMRs) amounting to P3.092 million. Details shown below:

| Particulars | Total | Costs not Directly Attributable to the Project | Lack of Supporting Documents | Double Charging of SEMRs |
|---|----------------------|--|------------------------------|--------------------------|
| Materials: | | | | |
| Lack of supporting MCTs and COCI* in CY 2015 | 10,064,439.37 | | 10,064,439.37 | |
| Lacking SEMRs for transformer issued on 2014 | 958,408.98 | | 958,408.98 | |
| Double charging of SEMR and cost not directly attributable to the project such as android tablets and printers | 3,091,597.26 | | | 3,091,597.26 |
| Cost not directly attributable to the project-gifts to TFK**, purchased of long sleeves shirt for the "pasasalamat" recognition party, android tablets, printer, aircon, portable charger and etc | 1,168,647.00 | 1,168,647.00 | | |
| MCTs issued beyond completion date and issued after Typhoon Nona | 21,296,389.44 | 21,296,389.44 | | |
| Sub-total | 36,579,482.05 | 22,465,036.44 | 11,022,848.35 | 3,091,597.26 |
| Overhead: | | | | |
| Lack of supporting documents; Original copies of Official Receipts, listing of meal allowances duly signed by the recipients | 592,774.62 | | 592,774.62 | |
| Gasoline expenses incurred during Typhoon Ruby | 26,016.91 | 26,016.91 | | |
| Sub-total | 618,791.53 | 26,016.91 | 592,774.62 | 0.00 |
| Total | 37,198,273.58 | 22,491,053.35 | 11,615,622.97 | 3,091,597.26 |

* COCI means Certificate of Completion and Inspection

**TFK means Task Force Kapatid

b. For SEP Project

A difference of P6.869 million was due to the following: a) overcharging of costs of materials amounting to P0.830 million; b) cost of labor beyond the amount of Approved Budget for the Contract (ABC) amounting to P72,193.71; c) fuel/gasoline expenses beyond energization date totaling P30,726.53; and d) lack of supporting documents totaling P5.937 million. Details are as follows:

| Project Name/Source Fund | Total | Overcharging of Costs of Materials | Costs of Labor beyond the amount of ABC | Fuel/gasoline expenses beyond energization date | Lack of Supporting Documents |
|---|---------------------|------------------------------------|---|---|------------------------------|
| a. Line extension for 18 sitios/ puroks - 2012 SEP Batch 1 | 829,563.00 | 829,563.00 | | | |
| - Labor cost charged is beyond the amount of ABC (Contract for the labor of extension of single-phase primary & open secondary distribution lines including housewiring installation and hauling cost, awarded to JERA General Construction & Supply) | 72,193.71 | | 72,193.71 | | |
| b. Line extension for 25 sitios/ puroks - 2013 SEP | 14,354.05 | | | 14,354.05 | |
| c. Line extension for 23 sitios/ puroks - 2013 SEP Add'l | 7,390.66 | | | 7,390.66 | |
| d. Line extension for 71 sitios/ puroks - 2014 SEP | 3,591.80 | | | 3,591.80 | |
| e. Line extension for 53 sitios/ puroks - 2015 SEP | 5,390.02 | | | 5,390.02 | |
| - Lack of supporting documents | | | | | |
| - MCTs/MCRTs | 1,495,300.00 | | | | 1,495,300.00 |
| f. Line extension for 44 sitios/ puroks - 2016 SEP | | | | | |
| - Lack of supporting documents | | | | | |
| - contracts, delivery receipts, sales invoices, inspection and Acceptance report and MCTs/MCRTs | 4,441,400.00 | | | | 4,441,400.00 |
| Total | 6,869,183.24 | 829,563.00 | 72,193.71 | 30,726.53 | 5,936,700.00 |

- 9.5. Based on the additional documents submitted by SORECO II, the Audit Team considered and allowed the adjustments of P5.984 million to the subsidy fund, thereby reducing the total unremitted unexpended balance to P38.615 million by the end of September 30, 2021, to wit:

| Project Description | Unremitted Unexpended Balance as of June 30, 2019 (per ML) | Adjustments | Unremitted Unexpended Balance as of September 30, 2021 |
|---|--|---------------------|--|
| a. Restoration of power and Rehabilitation of damaged distribution lines caused by Typhoon Glenda | 37,006,674.45 | 5,976,296.42 | 31,030,378.03 |
| b. Six Sitio Electrification Program (SEP) | 7,592,618.23 | 7,748.20 | 7,584,870.03 |
| Total | 44,599,292.68 | 5,984,044.62 | 38,615,248.06 |

9.6. The adjustments totaling P5.984 million were attributed to the following:

a. On Typhoon Glenda's net adjustment totaling P5.976 million

a.1 The total materials charged in the AF were understated by P5.855 million.

a.2 Review of the AF revealed that the reported total materials were understated by P5.855 million as compared to the Summary of MCTs/SEMRs submitted by the SORECO II, details are shown as follows:

| Particulars | Amount |
|--|-----------------------|
| Materials as Reported in the AF: | |
| • Amount charged to AF under "Materials" excluding the amount allowed in audit and purchases of equipment | 40,419,299.98 |
| • Purchased of various materials included on the straight contract excluding the amount allowed in the audit | 23,595,867.31 |
| Sub-Total | 64,015,167.29 |
| Less: Total of the Summary of MCTs and SEMRs | |
| o MCTs submitted during audit fieldwork | 20,238,911.78 |
| o SEMRs submitted during audit fieldwork | 9,332,005.31 |
| o MCTs submitted in CY 2019 | 37,342,678.09 |
| o Additional MCTs submitted in CY 2020 | 2,956,857.13 |
| Sub-Total | 69,870,452.31 |
| Total Difference | (5,855,285.02) |

a.3 After the validation of MCTs and SEMRs, a net adjustment of P90,902.85 was considered in the audit, to wit:

| Particulars | Total | Costs Not Directly Attributed to the Project | Lack of Supporting Documents | Double Charging of SEMRs |
|--|---------------|--|------------------------------|--------------------------|
| a. Inclusion of costs of materials not directly attributed to the project such as a mobile thermal printer, Asus memo pad, hard drive for accounting use etc. | 838,640.15 | 838,640.15 | | |
| b. Unsupported SEMRs | (650,717.40) | | (650,717.40) | |
| c. Double charging of SEMRs | (391,856.34) | | | (391,856.34) |
| d. MCTs issued beyond completion date and issued after Typhoon Nona (including MCTs in Item 9.6.a.3.e below and additional MCTs of P113,030.74 after reevaluation) | 10,177,470.11 | 10,177,470.11 | | |

| Particulars | Total | Costs Not Directly Attributed to the Project | Lack of Supporting Documents | Double Charging of SEMRs |
|---|--------------------|--|------------------------------|--------------------------|
| e. MCTs issued beyond the completion date and issued after Typhoon Nona, mentioned in Item 9.4.a [1] above as lack of supporting MCTs and COCI in CY 2015 | (10,064,439.37) | (10,064,439.37) | | |
| Total | (90,902.85) | 951,670.89 | (650,717.40) | (391,856.34) |

a.4. Also, the amount of P149,818,54 was considered after validating the additional documents submitted such as payroll listing, Official Receipts (ORs), trip tickets, etc..

a.5. However, the cost of gifts to TFK, long sleeve shirts for “pasasalamat” recognition party totaling P119,710.00 charged to the AF, which were not directly attributable to the projects was not considered in the audit.

b. On SEP’s adjustment amount to P7,748.20

The amount of fuel and gasoline expenses consumed within the energization date of the projects totaling P7,748.20 was also considered upon validation of the additional documents submitted by SORECO II.

9.7. The non-return/remittance of the unexpended balance for the restoration of power and rehabilitation of damaged distribution lines caused by typhoon Glenda and the six SEP projects for the CYs 2012 to 2016 source funds totaling P38.615 million were not compliant with Sections 2 and 7 of the MOA and NEA Memorandum Nos. 2013-023 dated October 10, 2013 and 2015-012 dated May 26, 2015. Thus, depriving the government of funds that can be used for some other priority projects and/or other electrification programs/projects.

9.8. ***We recommended that Management direct the AMGD to:***

a. ***Require SORECO II to submit immediately the lacking documents stated in Sections 2 and 7 of the MOA between NEA and SORECO II and NEA Memorandum No. 2013-023 and other related supporting schedule/summary of the previous and the revised schedule for comparison, verification, and adjustment of the unexpended/unutilized subsidy funds; otherwise***

b. ***Collect immediately from SORECO II the total unexpended/unutilized balance of P38.615 million pursuant to Section 7 of the MOA between NEA and SORECO II and furnish the COA Office with photocopy of the official receipt, for monitoring purposes.***

9.9. Management submitted the letter of SORECO II dated March 28, 2022 requesting two months extension for unsubmitted documents.

9.10. We reiterate our recommendation that Management direct the AMGD to immediately submit the lacking documents and collect immediately from SORECO II the total unexpended/unutilized balance of P38.615 million.

c. For the unutilized housewiring (HW) program due to the 3,065 unserved potential households in the amount of P7.662 million

c.1. Paragraph 3 of NEA Memorandum No. 2011-024 dated December 26, 2011 states that:

To further support connection to marginalized consumers, the EC is hereby authorized to include the cost of housewiring materials and labor in the submission of the funding request for target sitios for 2012 and onwards. The maximum amount of ₱2,500 shall be allowed per household to cover two bulbs, two tumbler switches, one outlet and safety switch, and labor. (underscoring ours)

c.2. The aforementioned ML also reported that out of the 7,204 Potential Households (PHH) approved by NEA for the Housewiring Program Project under the CYs 2012-2015 SEP, only 4,139 PHH were served. Thus, the unexpended subsidy balance of P7.662 million for the remaining 3,065 unserved PHH has to be refunded/remitted by SORECO II to NEA.

c.3. The total cost of housewiring materials and labor for the installation of 3,065 unserved PHH computed at P2,500 per household is equivalent to P7.662 million.

c.4. In a letter dated August 19, 2019, the Officer-In-Charge (OIC) Warehouse Division Supervisor of SORECO II apologized for saying during the exit conference held last August 16, 2019 that *all materials for the housewiring project of CYs 2012 to 2015 SEP were already disposed* for he was just new.

He clarified his previous declaration and said that the remaining materials then of the SORECO II was P3.140 million but the list of materials submitted was not supported. This means that out of the P7.662 million housewiring materials, only P3.140 million were on hand as of August 19, 2019, therefore, the remaining housewiring materials, P4.522 million were already disposed. The unexpended subsidy balance of P7.662 million for the unserved 3,065 PHH remained unremitted which deprived the government of fund that can be used to some other priority projects or other electrification programs/projects.

9.11. **We recommended that Management direct:**

a. TEREDD to require SORECO II to enforce full implementation of the remaining housewiring materials totaling P3.140 million; and

- b. **AMGD to submit the necessary documents along with the list of beneficiaries with their signatures signifying their acceptance/ acknowledgment of housewiring projects totaling P 7.662 million; otherwise**
- c. **AMGD to collect the full amount of P7.662 million from SORECO II pursuant to Section 7 of the MOA between NEA and SORECO II and furnish this Office with photocopy of the official receipt, for monitoring purposes.**

9.12. Management submitted the request of SORECO II dated March 28, 2022 requesting two months extension for unsubmitted documents.

9.13. We reiterate our recommendation that Management direct AMGD to require SORECO II to enforce the full implementation of the remaining housewiring materials and submit the lacking required documents, or else collect the full amount of P7.662 million.

Camarines Norte Electric Cooperative, Inc.'s (CANORECO's) compliance on remaining subsidy funds

10. The non-remittance of unexpended balance of subsidy funds amounting to P5.818 million released to CANORECO is not compliant with Sections 2 and 7 of the MOA entered into by and between NEA and CANORECO, while the liquidation for subsidy-funded projects totaling P8.943 million was not valid since it contained: i) double recording of charged expenses; ii) documents that could not be matched on the listed expenses; iii) duplicate copy of documents pertaining to the previous liquidation; and iv) lacked the required supporting documents, contrary to Section 4.a of the MOA, hence not considered in the audit.

10.1. Our audit is guided by the following:

- a. Sections 2, 4.a and 7 of the MOA entered into by and between NEA and CANORECO, provide the following:

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 projects(s) xxx (underscoring supplied).

Section 4.a Disbursements made to implement the project(s) and such other data and information, as may be required from time to time shall be submitted xxx (underscoring ours)

Section 7. It is agreed that all amounts in excess of total disbursements and cost of the 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 (underscoring ours)

b. The required documentations to support the liquidation of all subsidy releases to all ECs are enumerated in NEA Memorandum No. 2013-023 dated October 10, 2013, to wit:

1. *Accounting of Funds (AF) on a per-project basis;*
2. *Disbursement Vouchers;*
3. *Material Charge Tickets (MCTs);*
4. *Material Credit Tickets (MCRTs);*
5. *Service Contract (if the project was implemented by contractor);*
6. *Bid Documents;*
7. *Accomplishment Report;*
8. *Staking Sheets (As-Built) and (As planned) for each project;*
9. *Bill of Materials (As-Built) and (As planned) for each project;*
10. *Certificate of Project Completion;*
11. *Certificate of Final Inspection and Acceptance; and*
12. *Bank Statements.*

10.2. The total adjusted balance of unexpended subsidy reported in the ML of CANORECO for the audit of subsidy funds covering the period from September 1, 2012 to June 30, 2019 issued on November 28, 2019 was reduced to P16.013 million after considering the additional documents submitted totaling to P3.022 million on September 13, 2019 and October 14, 2019, to wit:

| Name of Projects | Unexpended balance | Subsidy Deficit | Audit Adjustment | Adjusted Unexpended Balance | Adjusted Subsidy Deficit |
|---|---------------------------|------------------------|-------------------------|------------------------------------|---------------------------------|
| Line extension to 30 sitios (Cong. Unico and Cong. Panotes) | 4,545,327.15 | 0.00 | .00 | 4,545,327.15 | 0.00 |
| Line extension to 52 sitios | 1,705,874.27 | 0.00 | 1,451,594.40 | 254,279.87 | 0.00 |
| Line extension to 12 sitios | 1,607,365.95 | 0.00 | 26,474.47 | 1,580,891.48 | 0.00 |
| Line extension to 81 sitios | 8,865,606.21 | 0.00 | 1,083,616.23 | 7,781,989.98 | 0.00 |
| Line extension to 23 sitios | 0.00 | 673,725.71 | 246,883.78 | 0.00 | 920,609.49 |
| Line extension to 16 sitios | 1,332,363.59 | 0.00 | 49,950.16 | 1,282,413.43 | 0.00 |
| Line extension to 40 sitios | 2,469,307.34 | 0.00 | 152,086.09 | 2,317,221.25 | 0.00 |
| Line enhancement to 3 Barangays | 34,019.64 | 0.00 | 11,109.00 | 22,910.64 | 0.00 |
| Line extension to 17 sitios | 0.00 | 471,053.46 | 0.00 | 0.00 | 471,053.46 |
| Total | 20,559,864.15 | 1,144,779.17 | 3,021,714.13 | 17,785,033.80 | 1,391,662.95 |
| Less: Cost of unimplemented projects | 665,716.40 | | | 665,716.40 | |
| Amount returned to NEA | 1,106,479.73 | | | 1,106,479.73 | |
| Unexpended Subsidy for return to NEA | 18,787,668.02 | | | 16,012,837.67 | |

- 10.3. After evaluation and validation documents submitted on November 28, 2019 on July 22, 2020 totaling P10.042 million by CANORECO, the amount of P8.943 million was not considered in the audit due to the following: i) lack of supporting documents; ii) double recording; iii) non-inclusion in the list expenses; and iv) duplication of documents already submitted.
- 10.4. On the other hand, the charges for housewiring labor fee and progress billing totaling P1.100 million were considered in the audit, details as follows:

| Particulars | Amount |
|---|----------------------|
| a. Lack of supporting documents- Duly accomplished and approved DTRs, MCTs, contracts, CFAs, ORs, et.al. were not submitted to support the Payroll, hauling, materials, labor, payment to contractors, housewiring, labor fees | 8,155,935.96 |
| b. Double recording of payroll, labor, and hauling | 392,273.91 |
| c. MCTs, JEV, and Check Voucher (CV) are not included on the list of expenses per project | 221,334.23 |
| d. Duplicate copy of documents already submitted and considered in previous audit | 173,144.28 |
| Amount NOT CONSIDERED in audit | 8,942,688.38 |
| Housewiring labor fee per CV No. 94655 dated May 10, 2016 | 139,800.00 |
| Progress billing per CV No. 88386 dated July 11, 2014 | 960,150.87 |
| Amount CONSIDERED in audit | 1,099,950.87 |
| Total Submitted Documents | 10,042,639.25 |

- 10.5. Validation of the Report on Refund/Return of Subsidy Funds as of December 31, 2021, revealed that CANORECO has returned/remitted to NEA the total amount of P9.095 million, details as follows:

| Date | JEV No. | OR No. | Particulars | Amount |
|--------------|----------------|---------|---------------|---------------------|
| 01/03/2020 | 2020-01-000486 | 7903162 | 2013 SEP | 2,490,541.51 |
| 10/15/2020 | 2020-10-004591 | 7904583 | 2012 SEP | 3,527,647.34 |
| 02/23/2021 | 2021-02-000881 | 7905353 | 2011-2016 SEP | 355,360.01 |
| 11/11/2021 | 2021-11-005682 | 7907293 | 2014 SEP | 2,721,550.90 |
| Total | | | | 9,095,099.76 |

- 10.6. After considering the expenses totaling P1.100 million under paragraph 10.4 and deducting the amount of P9.095 million returned/remitted to NEA under paragraph 10.5, the unexpended balance was reduced to P5.818 million as of December 31, 2021, computed as follows:

| Particulars | Amount |
|--|---------------------|
| Adjusted unexpended balance (par. 10.2) | 16,012,837.67 |
| Less: Additional allowable expenses (par. 10.4) | 1,099,950.87 |
| Returns/remittances (par. 10.5) | 9,095,099.76 |
| Remaining unexpended balance as of December 31, 2021¹⁰ | 5,817,787.04 |

¹⁰ Only for the SEP and BLEP projects covering the period September 1, 2012 to June 30, 2019

- 10.7. ***We reiterated our previous recommendation that Management direct AMGD to oblige CANORECO to submit the required documentation for P8.156 million or otherwise, return the unexpended amount of P5.818 million.***
- 10.8. Out of the P8.156 million required supporting documents mentioned in paragraph 10.4a, Management provided this Office with the copies of the duly approved Job Orders worth P7.937 million on March 15, 2022. However, the said documents are still subject to evaluation.

Liquidation by Zambales II Electric Cooperative, Inc. (ZAMECO II) of subsidy fund totaling P2.729 million releases from January 1, 2015 to June 30, 2021

11. **The submitted AFs totaling P2.718 million was not supported by complete liquidation documents prescribed in Section 4(6) of the Presidential Decree (PD) No. 1445, Section 2.2 of COA Circular No. 2012-001, and NEA Memorandum No. 2013-023 and RA No. 9184, hence, the unexpended balance of P2.675 million should be returned/remitted to NEA.**

The payment of mobilization fees totaling P1.494 million to the contractors of ZAMECO II more than 15 percent of contract cost is not compliant with Section 4.1. of Annex "E" of the RIRR of RA No. 9184.

Subsidies were released to ZAMECO II for four sitios projects that were already completed, hence, deviating from Section 3 of the MOA.

11.1. The bases of our audit are the following:

- a. Section 4(6) of the PD No. 1445 provides that *Claims against government funds shall be supported with complete documentation.*
- b. Section 2.2 of COA Circular No. 2012-001 dated June 14, 2012, enumerates the documentary requirements for the implementation and liquidation of funds released to Non-Government Organizations/People's Organizations (NGOs/POs), to wit:
 1. *Final fund utilization report, indicating the summary of expenses and the status report of accomplishments, certified by the accountant, approved by the President/Chairman of the NGO/PO, and verified by the internal auditor or equivalent official of the GO;*
 2. *Pictures of implemented projects;*
 3. *Inspection report and certificate of project completion issued by the GO authorized representative;*
 4. *List of beneficiaries with their signatures signifying their acceptance/acknowledgment of the projects/funds/goods/*

services received;

5. *Proof of verification by the GO official of the validity of the documents submitted by the NGO/PO;*
6. *OR issued by the granting GO acknowledging return by the NGO/PO of any unutilized/excess amount of cash advance, including interest, if any;*
7. *List of equipment/vehicles procured by the NGO/PO out of the project funds indicating its brief description, date acquired, acquisition cost, and final disposition;*
8. *Warranty for procurement of equipment and projects;*
9. *In case of dissolution of the recipient NGO/PO, in addition to the OR acknowledging the return of unutilized amount, copy of the vouchers paid by the NGO/PO; and*
10. *Liquidation Report.*

c. Sections 3, 5, and 7 of the MOA signed by NEA and ZAMECO II state that:

3. *Procurement of equipment and materials and/or engagement of contractors for the project(s) shall be guided by RA 9184 and its Implementing Rules. Xxx. 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 a later date agreed upon between the two parties. (underscoring ours)*
5. *NEA and the Commission on Audit shall require the submission of a voucher and other documents relevant to the grant and the project(s) as well as to conduct an audit of all transactions made with respect thereto, pursuant to the provisions of PD No. 1445 as amended.*
7. *It is agreed that all amount in excess of total disbursement and cost of the unimplemented project including interest earned thereon shall be returned/ remitted to NEA x x x.*

d. 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:

1. *Accounting of Funds on a per project basis;*
2. *Disbursement Vouchers;*
3. *x x x*

4. x x x
5. *Service Contract (if the project was implemented by contractor);*
6. *Bid Documents;*
7. *Accomplishment Report;*
8. *Staking Sheets (As-Built) and (As planned) for each project;*
9. *Bill of Materials (As-Built) and (As planned) for each project;*
10. *Certificate of Project Completion;*
11. *Certificate of Final Inspection and Acceptance; and*
12. *Bank Statements.*

e. Pertinent provisions on the RIRR of Republic Act RA No. 9184 are summarized as follows:

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

f. Also, Section 4.1. of Annex "E" of the RIRR of RA No. 9184 states that, *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 a lump sum or, at the most, two installments according to a schedule specified in the Instructions to Bidders and other relevant Tender Documents.* (underscoring ours)

Unexpended subsidy balance due to lack of supporting documents –

11.2. The subsidy received from January 1, 2015 to June 30, 2021 by ZAMECO II for the two projects totaling P2.675 million [net of service charges], is summarized as follows:

| Project Name | Source Fund | MOA Amount | % of Release | Service Charge | | | |
|---|-------------|---------------------|--------------|---------------------|----|------------------|---------------------|
| | | | | Gross Amount | % | Amount | Net Amount |
| 1. Extension of distribution lines for four (4) sitios | 2016 SEP | 2,327,752.93 | 100% | 2,327,752.93 | 2% | 45,642.21 | 2,282,110.72 |
| 2. Installation of housewiring materials, kWh meters and duplex service dropwires for four (4) sitios | 2016 SEP | 401,192.71 | 100% | 401,192.71 | 2% | 7,866.53 | 393,326.18 |
| Total | | 2,728,945.64 | | 2,728,945.64 | | 53,508.74 | 2,675,436.90 |

11.3. The AFs by the ZAMECO II reported a total fund utilization and subsidy deficit of P2.718 million and P42,129.15, respectively, to wit:

| Project Description | Source Fund | % of Release | Net Fund Received (a) | Fund Utilization | | | Unexpended/(Subsidy Deficit) | |
|--|-------------|--------------|-----------------------|---------------------|---------------|---------------------|------------------------------|---------------------|
| | | | | Per AF (b) | Per Audit (c) | Variance d=(b-c) | Per AF e=(a-b) | Per Audit f=(a-c) |
| 1. Extension of distribution lines for four (4) sitios | 2016 SEP | 100% | 2,282,110.72 | 2,321,067.90 | 0.00 | 2,321,067.90 | (38,957.18) | 2,282,110.72 |
| 2. Installation | 2016 SEP | 100% | 393,326.18 | 396,498.15 | 0.00 | 396,498.15 | (3,171.97) | 393,326.18 |
| Total | | | 2,675,436.90 | 2,717,566.05 | 0.00 | 2,717,566.05 | (42,129.15) | 2,675,436.90 |

11.4. However, an examination of AFs for the two projects of ZAMECO II revealed that the fund utilization of P2.718 million was only supported by the Notice to Proceed which is contrary to Section 4(6) of PD No. 1445, Section 2.2 of COA Circular No. 2012-001 and NEA Memorandum No. 2013-03. The list of lacking documents is enumerated below:

| Project Description | Particulars | Amount | Deficiencies |
|---|-----------------------|----------------------|---|
| 1. Extension of distribution lines for four (4) sitios | Payment to contractor | 2,321,067.90 | Lack of supporting documents such as: |
| 2. Installation of housewiring materials, kWh meters, and duplex service drop wires for four (4) sitios | | 396,498.15 | <ul style="list-style-type: none"> • Disbursement/ Check Vouchers; • Official Receipts; • Pictures of implemented projects; • Proof of verification by NEA official of the validity of the documents submitted by the ZAMECO II; and • Liquidation Report. |
| Total | | P2,717,566.05 | |

11.5. The non-submission of the above documents hinders the Audit Team in evaluating the reported expenses in the AFs totaling P2.718 million, hence, cannot be considered in the audit. Thus, the total subsidy received by ZAMECO II totaling P2.675 million is considered as an unexpended subsidy that needs to be

returned/remitted to NEA unless the lacking documents enumerated above were submitted subject to our evaluation.

- 11.6. Since ZAMECO II implemented the two projects on a straight contract it must conform to the documentary requirements of RIRR of RA No. 9184 enumerated in paragraph 11.1 [e].

Excess payment of mobilization fees

- 11.7. The AFs on the utilization of subsidy received by ZAMECO II amounting to P2.675 million disclosed that payments to the contractor for mobilization fees are equivalent to 70 percent of the contract price or a total amount of P1.902 million.
- 11.8. The mobilization fees paid by ZAMECO II to its contractor for the two projects represents 70 percent of the contract price which is more than the allowable 15 percent of the contract price, contrary to the provisions of Section 4.1 of Annex “E” of the RIRR of RA No. 9184.

Projects already completed ahead of subsidy receipts

- 11.9. Section 3 of the MOA provides that the project should be implemented and completed within six months after receipt of the subsidy appropriations by the recipient from NEA. This implies that the project implementation should start upon the receipt of subsidy by ZAMECO II from NEA. However, the status of project implementation of ZAMECO II revealed that the two projects, namely, (a) extension of distribution lines, and (b) installation of housewiring materials, kWh meters, and duplex service drop wires for four sitios, were already completed before the receipt of subsidy by ZAMECO II, details are as follows:

| Sitio | Date of Subsidy Receipt | Date Completed | No. of days ahead of subsidy receipt |
|--|-------------------------|----------------|--------------------------------------|
| Projects: | | | |
| (1) Extension of distribution lines; and | | | |
| (2) Installation of housewiring materials, kWh meters, and duplex service drop wires for four (4) sitios | | | |
| 1. Palayan Resettlement, San Rafael, San Marcelino | 01/23/2018 | 12/11/2017 | 43 |
| 2. Nagbaldian Aroz, Rizal, San Marcelino | 01/23/2018 | 12/15/2017 | 39 |
| 3. Mabiga, San Juan, Cabangon | 01/23/2018 | 12/03/2017 | 51 |
| 4. Talisay Offset Area, Sto. Nino, Cabangon | 01/23/2018 | 12/06/2017 | 48 |

- 11.10. As shown above, the two projects covering four (4) sitios were already completed (39 to 51 days) before the subsidy were released to ZAMELCO II. This clearly deviates with Section 3 of the MOA emphasizing that the project(s) should be implemented and completed within six months after receipts of the subsidy appropriations or at a later date agreed between the two parties. This further

implies that ZAMECO II can implement a project even without the subsidy from the NG.

11.11. ***We recommended that Management direct AMGD to:***

- a. Oblige ZAMECO II to submit immediately full documentations for the P2.675 million;***
- b. Provide for the required proof of verification on the validity of the documents submitted by ZAMECO II;***
- c. Require ZAMECO II and all the ECs to comply strictly with the provision in Section 4.1. of Annex "E" of the RIRR of RA No. 9184 in paying the mobilization fee to the contractor; and***
- d. Direct the TERRED and AMGD to submit written justification for allowing the release of subsidy after project completion, and ensure compliance with Section 3 of the MOA in releasing subsidy to ECs.***

11.12. The Audit Team validated the certified true copies of additional documents submitted on November 4, 2021 and noted that the following documents are still lacking:

- (1) certificate of availability of funds;
- (2) minutes of Pre-bid conference; and
- (3) bid security.

11.13. Also, the performance security posted/issued by the contractor was insufficient by P135,756.60, which was not in accordance with Sections 39.1 and 39.2 of the RIRR of RA No. 9184.

11.14. Moreover, the proof of verification prepared by the AMGD does not include certification as to the validity of the documents submitted by ZAMECO II. The proof of verification must also include certification as to the validity of the documents submitted.

11.15. We therefore reiterate our audit recommendations to direct AMGD to require ZAMECO II and all ECs to: (a) submit the lacking documents enumerated in paragraph 11.4; (b) comply with the performance security requirements under Sections 39.1 and 39.2 of the RIRR of RA No. 9184 for all its procurement; (c) comply strictly with the provision in Section 4.1 of Annex "E" of the RIRR of RA No. 9184 in paying the mobilization fee to the contractor; and (d) submit written justification for allowing the release of subsidy after the project completion and ensure compliance with Section 3 of the MOA in releasing subsidy to ECs.

C. GENDER AND DEVELOPMENT (GAD)

12. Deficiencies noted in the implementation of GAD Plan and Budget (GPB) and GAD Accomplishment Report (AR) are as follows:

- a. The attribution of SEP budget and European Union-Access to Sustainable Energy Programme (EU-ASEP) Top-up Grant totaling P1.875 billion to the GPB did not undergo the Harmonized Gender and Development Guidelines (HGDG) test upon budget preparation, contrary to Section 1.2.2.2.1 on budget attribution using the HGDG of Philippine Commission on Women (PCW) Memorandum Circular (MC) No. 2020-05;
- b. The adjusted GAD allocation of P4.212 million for FY 2021 of NEA was far below the five percent requirement of the General Appropriations Act (GAA);
- c. The GPB was not yet endorsed by the PCW contrary to Section 1.2.5 of PCW MC No. 2020-05; and
- d. The GAD Accomplishment Report (AR) was not submitted within the deadline set in Item No. 1.1 of the PCW MC No. 2021-06 dated December 10, 2021.

12.1. Our audit is guided by the following provision:

- a. Section 1.2.2.2.1 Budget Attribution Using the Harmonized Gender and Development Guidelines (HGDG) of PCW Memorandum Circular No. 2020-05 provides that:

Aside from implementing direct GAD PAPs to address organization- or client-focused gender issues or GAD mandates, agencies may attribute a portion or the whole budget of the agency's major program/s or project/s to the GAD budget using the HGDG tool. 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. Major programs/ projects subjected to the HGDG assessment shall be reflected under the GPB section on "Attributed Programs." Direct GAD activities of the agency shall no longer be subjected to the HGDG assessment.

- b. 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)

- c. Section 1.2.5 (Endorsement of GPB) of PCW Memorandum Circular No. 2020-05 provides that:

1.2.5.1. PCW shall endorse the FY 2021 GPB if (1) the minimum five percent (5%) GAD Budget requirement has been met, and (2) the agency has complied with all the requested revisions (if any) in the GPB within the prescribed deadline.

1.2.5.2. For GPBs that have been returned by PCW for revision or enhancement, agencies may revise and resubmit their GPB twice to PCW to comply with the requirements requested for the plan's endorsement. On the third round of the submission of the GPB, PCW shall make the final decision as to the GPB's endorsement or non-endorsement.

1.2.5.3. PCW-endorsed GPBs shall be authenticated by the Gender Mainstreaming Monitoring System (GMMS) with a QR code. Agencies shall print the PCW-endorsed GPB for signature of their agency head, and disseminate the signed copy to their concerned units. Agencies shall also furnish their respective Commission on Audit (COA) Audit Team with a copy of their signed GPB within 5 working days from its endorsement.

- d. Item Nos. 1.0 on the *Preparation and Submission of the FY 2021 GAD AR through the GMMS Version 2 or 3*, and 3.0 on *Generation and Dissemination of the PCW-Reviewed GAD AR* of the PCW Memorandum Circular No. 2021-006 provide that:

1.1. Pursuant to Section 36 of Republic Act No. 9710 or the Magna Carta of Women, the utilization and outcome of the GAD budget shall be annually monitored and evaluated. As such, all line departments, constitutional bodies, judicial and legislative bodies, attached agencies/bureaus, other executive offices (OEOs) and government-owned and/or controlled corporations (GOCCs) shall submit their consolidated FY 2021 GAD Accomplishment Reports (ARs) to PCW through the PCW Gender Mainstreaming Monitoring System (GMMS) on or before the following dates:

x x x

18 March 2022 *Deadline of submission of government-owned and/or –controlled corporations (GOCCs) to PCW.*

X X X

3.1 Concerned agencies shall print the returned GAD AR with PCW's final observations and remarks for signature, and submit signed copies to the PCW and their respective COA Audit Team.

12.2. The following deficiencies were noted on the review of NEA's GPB and implementation of GAD for CY 2021:

a. The attribution of SEP budget and EU-ASEP Top-up Grant to GPB did not undergo the HGDG test upon budget preparation

- a.1. Beginning CY 2019, SEP was subjected to gender analysis using the 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.
- a.2. The result of the initial test revealed a score of 13.67 which descriptively presented as gender-sensitive where only 50 percent of the corresponding budget for the year of the program/project may be attributed to GAD. Inquiry disclosed that this result will also be used in CY 2021.
- a.3. The Budgetary Support for Government Corporations (BSGC) subsidy of NEA provided in the FY 2021 General Appropriations Act (GAA) amounted to P2.497 billion wherein P1.627 billion is allocated for SEP and applied to GAD attribution. NEA also included in the computation of GAD attribution the grant from the European Union particularly the EU-ASEP Top-up Grant amounting to P247.500 million. Hence, the amount of program/project allotted to GAD attribution totaled P1.875 billion summarized as follows:

| Program | Amount |
|----------------------|-------------------------|
| SEP | 1,627,500,000.00 |
| EU-ASEP Top-up Grant | 247,500,000.00 |
| Total | 1,875,000,000.00 |

- a.4. However, NEA attributed to the GAD budget the total amount of the SEP budget and EU-ASEP Top-up Grant without administering the HGDG test upon budget preparation, thus, overstating the GPB by P1.875 billion.
- a.5. It was also noted that the EU-ASEP Top-up Grant amounting to P247.500 million is a form of grant and not part of NEA's budget, therefore, should not be included in the GAD attribution.

b. The adjusted GAD allocation for FY 2021 of NEA amounted to P4.212 million was far below the five percent requirement of the General Appropriations Act (GAA).

b.1. Our verification disclosed for CY 2021, NEA's total budget appropriation amounted to P4.605 billion allocated as follows:

| Program/Activity/Project | % | Amount |
|------------------------------------|-------------|-------------------------|
| General Administration and Support | 26% | 1,210,248,000.00 |
| Support to Operations | 3% | 128,256,000.00 |
| Operations | 6% | 268,726,000.00 |
| Locally Funded Projects | 54% | 2,497,500,000.00 |
| Loans to Electric Cooperatives | 11% | 500,000,000.00 |
| Total | 100% | 4,604,730,000.00 |

b.2. Based on the GPB submitted to the PCW, the budget allocated for GAD for CY 2021 amounted to P1.879 billion representing 40.81 percent of the total budget, attributed as follows:

| GAD Activity | Amount |
|-------------------------------------|-------------------------|
| Sitio Electrification Program (SEP) | 1,627,500,000.00 |
| EU-ASEP Top-up Grant | 247,500,000.00 |
| Organization-Focused | 3,422,710.00 |
| Client-Focused | 789,600.00 |
| Total | 1,879,212,310.00 |

b.3. Since the SEP did not undergo the required HGDG test upon budget preparation and the EU-ASEP Top-up Grant is not part of NEA's budget, hence, they should not be included in the GAD allocation. Thus, the allotted budget for GAD was reduced to P4.212 million and attributed as follows:

| GAD Activity | Amount |
|----------------------|---------------------|
| Organization-Focused | 3,422,710.00 |
| Client-Focused | 789,600.00 |
| Total | 4,212,310.00 |

b.4. The allotted budget of P4.212 million is equivalent only to 0.09 percent of the total budget and is not compliant with the minimum requirement of five percent of the P4.605 billion or equivalent to P230.236 million

c. The GPB was not yet endorsed by the PCW

c.1. The GPB was sent to the Gender Mainstreaming Monitoring System (GMMS) of the PCW on November 9, 2020. Interview disclosed that the GPB was not yet endorsed by the PCW and as of the audit date, there was no information as to whether there is a revision on the GPB submitted or whether it was already endorsed by the PCW or not.

d. Non-submission of the GAD Accomplishment Report (AR) within the prescribed deadline

d.1. As stated in Item No. 1.1 of the PCW Memorandum Circular No. 2021-06 the deadline for the submission of the FY 2021 GAD AR was on March 18, 2022.

d.2. Inquiry from Management revealed that NEA's GAD AR for FY 2021 was not yet submitted to the PCW. Its non-submission within the prescribed deadline will cause a delay in the submission of the signed copy of the GAD AR to COA which is not compliant with Item Nos 1.0 and 3.0 of the PCW Memorandum Circular No. 2021-06.

12.3. We recommend that Management require the Chairperson of the GFPS to:

- a. Adhere to the annual guidelines prescribed by the PCW in the attribution of agency major programs to the GAD budget;**
- b. Provide a reasonable budget or estimate in the preparation of the annual GAD budget in accordance with PCW-NEDA-DBM Joint Circular No. 2012-01;**
- c. Follow-up to the PCW on the status of endorsement of the GAD Plan and Budget (GPB); and**
- d. Submit the GAD AR to the GMMS and furnish this Office with the PCW-endorsed GPB and GAD AR within the deadline set in Item No. 1.1 of the PCW MC No. 2021-06.**

D. COMPLIANCE WITH TAX LAWS

13. Taxes withheld and due to the Bureau of Internal Revenue (BIR) for CY 2021 amounting to P31.122 million were recorded and remitted within the prescribed period. The taxes withheld for December 2021 amounting to P3.245 million were remitted in January 2022.

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

Due to PhilHealth

14. Premium and loan amortizations due to PhilHealth for CY 2021 amounting to P2,312,852.46 were deducted from the salaries of NEA personnel and remitted within the prescribed period.

Due to the Government Service Insurance System (GSIS) and Pag-IBIG Fund

15. The amount withheld for the GSIS and the Pag-IBIG Fund totaling P1.680 million and P52,975.74, respectively, remained unremitted as of year-end, contrary to Section 6 of Republic Act (RA) No. 8291 and Section 23 (a) of RA No. 9679.

15.1. Section 6 on *Collection and Remittance of Contributions* of RA No. 8291 or the Revised Government Service Insurance Act of 1997 provides that:

a) *The employer shall report to the GSIS the names of all its employees, their corresponding employment status, positions, salaries and such other pertinent information, including subsequent changes therein, if any, as may be required by the GSIS; the employer shall deduct each month from the monthly salary or compensation of each employee the contribution payable by him in accordance with the schedule prescribed in the rules and regulations implementing this Act (underscoring ours for emphasis).*

b) *Each employer shall remit directly to the GSIS the employees' and employers' contributions within the first ten (10) days of the calendar month following the month to which the contributions apply. The remittance by the employer of the contributions to the GSIS shall take priority over and above the payment of any and all obligations, except the salaries and wages of its employees (underscoring ours for emphasis).*

15.2. Section 23(a) of RA No. 9679 or the Home Development Mutual Fund (HDMF) Law of 2009 emphasizes that it *shall be the duty of every employer, private or public, to set aside and remit the contributions required under this Act in accordance with the mechanism determined by the Board of Trustees* (underscoring ours for emphasis).

15.3. Ideally, the balance of *Due to GSIS* and *Due to Pag-IBIG* accounts should be zero after remitting the amount withheld from the salaries of the employees within ten calendar days following month as prescribed in Section 6 RA No. 8291.

a. *Due to GSIS*

a.1. At the end of the year, the *Due to GSIS* account has a balance of P4.377 million which includes Subsidiary Ledger (SL) accounts with abnormal debit balance totaling P77,720.37. The details are shown below:

| Account Name | SL Account Code | Due to GSIS account Balance as of December 31, 2021 | | |
|--------------------|-----------------|--|--------------|--------------|
| | | Debit | Credit | Total |
| Life & Retirement | 413-01 | 3,741.59 | 2,263,992.63 | 2,260,251.04 |
| Optional Insurance | 413-02 | 3,037.05 | 6,500.04 | 3,462.99 |

| Account Name | SL Account Code | Due to GSIS account | | |
|-----------------------------------|-----------------|---------------------------------|---------------------|---------------------|
| | | Balance as of December 31, 2021 | | |
| | | Debit | Credit | Total |
| Salary Loan | 413-03 | 37,508.90 | 983,714.25 | 946,205.35 |
| Policy Loan | 413-04 | 8,063.68 | 46,200.00 | 38,136.32 |
| Acquired Assets, Real Estate Loan | 413-05 | | 3,923.48 | 3,923.48 |
| Unlimited Ins. | 413-06 | | 1,433.32 | 1,433.32 |
| CEAP | 413-07 | | 924.56 | 924.56 |
| GP | 413-08 | | 252.1 | 252.10 |
| HE | 413-11 | 2,204.48 | | (2,204.48) |
| HD – Educational Assistance Loan | 413-12 | | 12,153.52 | 12,153.52 |
| HP | 413-13 | 6,500.10 | | (6,500.10) |
| Emergency Loan | 413-14 | 4,913.87 | 46,402.35 | 41,488.48 |
| Calamity Loan | 413-15 | 4,542.23 | 8,969.92 | 4,427.69 |
| S.O.S. | 413-16 | | 5,696.16 | 5,696.16 |
| eLoan | 413-17 | 2,066.34 | 3,136.05 | 1,069.71 |
| Unlimited Loan | 413-18 | 134.5 | | (134.50) |
| Optional Loan | 413-19 | 4,024.30 | 2,358.56 | (1,665.74) |
| GSIS Financial Assistance Loan | 413-20 | | 819,233.89 | 819,233.89 |
| Multi-Purpose Loan | 413-21 | 983.33 | 239,791.93 | 238,808.60 |
| Computer Loan | 413-22 | | 9,833.30 | 9,833.30 |
| Others | 413-0379 | | 655.56 | 655.56 |
| Total | | 77,720.37 | 4,455,171.62 | 4,377,451.25 |

a.2. On January 5, 2022, NEA remitted P2.822 million for the amount withheld from the December 2021 salaries of NEA's employees covered by JEV No. 2022-01-000666 which was debited to the *Due to GSIS* account and posted to the aforementioned SL accounts.

a.3. In January 2022, a net adjustment to correct the error in postings was made to the *Due to GSIS* account which was posted to *HE*, *HP*, and *Others* SL accounts in the amount of P2,204.48, P6,500.10, and P655.56, respectively, thereby reducing the ending of the *Due to GSIS* account to P1.564 million as of December 31, 2021, to wit:

| Account Name | Due to GSIS account | | |
|---|---------------------------------|---------------------|---------------------|
| | Balance as of December 31, 2021 | | |
| | Debit | Credit | Total |
| Unadjusted balance as of December 31, 2021 | 77,720.37 | 4,455,171.62 | 4,377,451.25 |
| Add/(deduct) | | | |
| a. Remittance to the GSIS for the amount withheld in December 2021 | 2,821,983.27 | | 2,821,983.27 |
| b. Net Adjustments for SL HE, HP, and Others accounts covered by JEV Nos. 2022-01-000608, 2022-01-000630, and 2022-01-000605 all dated January 28, 2022 | | 8,049.02 | 8,049.02 |
| Adjusted balance as of 12/31/2021 | | | 1,563,517.00 |

- a.4. The SL accounts with abnormal debit balance totaling P77,720.37 shown in Item 15.4 above, were reduced to P69,671.35 after posting the above adjustments.
- a.5. The adjusted balance of the *Due to GSIS* account totaling P1.564 million as of December 31, 2021 is composed of the following SL accounts:

| Account | Account Code | Balance after Remittance and Adjustments in January 2022 | | |
|-----------------------------------|--------------|--|---------------------|---------------------|
| | | Debit | Credit | Total |
| Life & Retirement | 413-01 | 19,663.79 | 1,103,321.87 | 1,083,658.08 |
| Optional Insurance | 413-02 | 3,120.86 | 6,435.24 | 3,314.38 |
| Salary Loan | 413-03 | 56,102.98 | 498,085.64 | 441,982.66 |
| Policy Loan | 413-04 | 8,563.68 | 18,300.00 | 9,736.32 |
| Acquired Assets, Real Estate Loan | 413-05 | | 3,923.48 | 3,923.48 |
| Unlimited Ins. | 413-06 | | 1,433.32 | 1,433.32 |
| CEAP | 413-07 | | 924.56 | 924.56 |
| GP | 413-08 | | 252.1 | 252.10 |
| HD | 413-12 | | 7,386.78 | 7,386.78 |
| Emergency Loan | 413-14 | 7,295.40 | 20,722.32 | 13,426.92 |
| Calamity Loan | 413-15 | 4,542.23 | 6,689.44 | 2,147.21 |
| S.O.S. | 413-16 | | 5,696.16 | 5,696.16 |
| eLoan | 413-17 | 2,066.34 | 3,136.05 | 1,069.71 |
| Unlimited Loan | 413-18 | 134.5 | | (134.50) |
| Optional Loan | 413-19 | 4,024.30 | 2,358.56 | (1,665.74) |
| GSIS Financial Assistance Loan | 413-20 | 9,634.44 | | (9,634.44) |
| Multi-Purpose Loan | 413-21 | 983.33 | | (983.33) |
| Computer Loan | 413-22 | | 983.33 | 983.33 |
| Total | | 116,131.85 | 1,679,648.85 | 1,563,517.00 |

- a.6. Gleaned from the above table that the adjusted balance of P1.564 million of the *Due to GSIS* account included SL accounts with abnormal debit balance totaling P116,131.85. On the other hand, the total credit of P1.680 million represents the balance of the amounts withheld from NEA's employees' salaries which have to be remitted to the GSIS, to be refunded to the employees, and/or adjusted as the case may be.
- a.7. Records showed that after posting the remittance of P2.822 million to the GSIS on January 5, 2021, the SL accounts of the *Due to GSIS* account with abnormal debit balance have increased to P116,131.85 thereby understating the *Due to GSIS* account by the same amount.
- a.8. Further review of the individual SLs of the *Due to GSIS* account, disclosed the following deficiencies:
- i. The amount withheld totaling P0.583 million lodged under the *Life and Retirement* account remained unremitted as of December 31, 2021.

- ii. The amount withheld totaling P164,605.70 lodged under the *Life and Retirement* account for the CYs 2020 and 2021 pertaining to the salary adjustments, salary differential, and first and last salaries of employees was not yet remitted to the GSIS as of December 31, 2021; and
- iii. The *Life and Retirement Contribution* withheld from the salary of one Deputy Administrator since October 2017 remain unremitted to the GSIS amounting to P418,708.53 pending submission of his Entry of Judgment to the GSIS; and
- iv. The balances of the *Acquired Assets, Unlimited Ins., CEAP, GP, S.O.S., eLoan, Unlimited Loan, and Optional Loan* accounts totaling P17,589.73 has been dormant for more than five years.

b. Due to Pag-IBIG

- b.1. Section 23(a) of RA No. 9679 or the Home Development Mutual Fund (HDMF) Law of 2009 emphasizes that *it shall be the duty of every employer, private or public, to set aside and remit the contributions required under this Act in accordance with the mechanism determined by the Board of Trustees* (underscoring ours for emphasis).
- b.2. The *Due to Pag-IBIG* account has an ending balance of P281,619.33 as of December 31, 2021, which includes SL accounts with abnormal debit balance totaling P97,988.56, to wit:

| Account Name | Account Code | Balance as of December 31, 2021 | | |
|-----------------------------|--------------|---------------------------------|-------------------|-------------------|
| | | Debit | Credit | Total |
| Pag-IBIG Contribution | 414-1 | 2,600.00 | 87,400.00 | 84,800.00 |
| Multipurpose Loan (MPL) | 414-2 | 6,393.61 | 131,223.84 | 124,830.23 |
| NHMFC, Unified Housing Loan | 414-3 | | 2,547.61 | 2,547.61 |
| PAGIBIG Housing Loan (PHL) | 414-4 | | 9,031.48 | 9,031.48 |
| For adjustment | 414-5 | 87,994.95 | | (87,994.95) |
| Modified Pag-ibig2 | 414-6 | 1,000.00 | 147,700.00 | 146,700.00 |
| Calamity Loan | 414-7 | | 1,704.96 | 1,704.96 |
| Total | | 97,988.56 | 379,607.89 | 281,619.33 |

- b.3. The total credit of P379,607.89 represents the balance of the amounts withheld from *NEA's* employees' salaries which remain unremitted to the Pag-IBIG as of December 31, 2021.
- b.4. The amount withheld from the salaries of *NEA's* employees for the month of December 2021 totaling P330,489.06 was remitted in January 2022 by *NEA* to the Pag-IBIG covered by JEVs enumerated below and was debited to the *Due to Pag-IBIG* account and posted them individually to the respective SL accounts.

| JEV Date | JEV No. | Amount |
|------------------|----------------|-------------------|
| January 4, 2022 | 2022-01-000561 | 2,547.61 |
| January 4, 2022 | 2022-01-000563 | 9,031.48 |
| January 5, 2022 | 2022-01-000663 | 106,109.97 |
| January 19, 2022 | 2022-01-000662 | 68,200.00 |
| January 20, 2022 | 2022-01-000664 | 144,600.00 |
| Total | | 330,489.06 |

b.5. However, after posting the above payments, these resulted in a debit ending balance of P48,869.73 to the *Due to Pag-IBIG* account due to the existence of accounts with an abnormal debit balance totaling P101,845.47, which resulted in the understatement of the account by the same amount. Details of SL accounts with abnormal debit balances are shown below:

| Account | Account Code | Balance as of December 31, 2021 after Remittance | | |
|-------------------------|--------------|---|------------------|--------------------|
| | | Debit | Credit | Total |
| Pag-IBIG Contribution | 414-1 | 3,700.00 | 20,300.00 | 16,600.00 |
| Multipurpose Loan (MPL) | 414-2 | 9,150.52 | 29,575.74 | 20,425.22 |
| For adjustment | 414-5 | 87,994.95 | | (87,994.95) |
| Modified Pag-IBIG 2 | 414-6 | 1,000.00 | 3,100.00 | 2,100.00 |
| Total | | 101,845.47 | 52,975.74 | (48,869.73) |

b.6. The credit balance of P52,975.74 represents the amount deducted from NEA's employees' salaries which remain unremitted to the Pag-IBIG as of December 31, 2021.

b.7. Further review of the SL accounts disclosed the following deficiencies:

- i. The contributions totaling P2,400.00 deducted from six new employees of NEA remain unremitted to Pag-IBIG as at year-end due to their non-inclusion in the system of Pag-IBIG; and
- ii. Inclusion of the *For Adjustment* account totaling P87,994.95 which was the result of the adjustment made on December 28, 2007 under JEV-2007-12-008848 and remained dormant for more than ten years.

15.4. ***We recommended that Management require the Accounting Division and the Human Resources and Administrations Department (HRAD) to:***

- a. ***Analyze and reconcile the individual SL accounts under the Due to GSIS and Due to Pag-IBIG accounts especially those with abnormal debit balances and effect the necessary adjustments in the books of NEA to reflect the correct amount of payables to the GSIS and Pag-IBIG;***

- b. Submit the Entry of Judgment concerning a Deputy Administrator to GSIS and remit his GSIS Life and Retirement Contribution amounting to P418,708.53 withheld from him;**
 - c. Remit to Pag-IBIG the contributions of P2,400.00 deducted from the salaries of the six new employees of NEA; and**
 - d. Ensure that all amounts withheld from the salaries of NEA's employees due to the GSIS and Pag-IBIG be remitted in full within ten calendar days of the following months pursuant to Section 6 of Republic Act (RA) No. 8291 and Section 23 (a) of RA No. 9679.**
- 15.5. Management commented that various journal entry vouchers were already *prepared* to correct the abnormal balances caused by the error in posting or recording the transactions. There is also an ongoing reconciliation of the payables to GSIS and Pag-IBIG to reflect the correct balances of the *Due to GSIS* and *Due to Pag-IBIG* accounts.
- 15.6. In addition, a letter dated April 1, 2022 was already sent to the Supreme Court to request the issuance of Entry of Judgment required by the GSIS before accepting the remittance of the contribution of NEA's Deputy Administrator. While the Pag-IBIG contribution of the six new employees amounting to P2,400.00 will be remitted by June 20 to 24, 2022.
- 15.7. Meanwhile, the unremitted amounts which resulted from over deduction of monthly loan amortization from the salaries of NEA's employees will be refunded accordingly.
- 15.8. Management assured that the employees' contributions are being remitted to the GSIS on or before the 10th day of the following month and on the 20th to 24th day of the following month for Pag-IBIG as stated in Letter E No. 4 of HDMF Circular No. 275.

F. STATUS OF AUDIT SUPSENSIONS, DISALLOWANCES AND CHARGES

16. As of December 31, 2021, there were no outstanding Notice of Suspension and Notice of Charge, however, the audit disallowances that remained unsettled amounted to P125.568 million. Details are shown below:

| Audit Action | Beginning Balance | | Ending Balance | |
|---------------------|--------------------------|-------------------|-----------------------|--------------------------|
| | January 1, 2021 | Issued | Settled | December 31, 2021 |
| Suspensions | 0 | 16,804,032 | 16,804,032 | 0 |
| Disallowances | 125,363,630 | 0 | 0 | 125,567,630 |
| Charges | 0 | 0 | 0 | 0 |
| Total | 125,363,630 | 16,804,032 | 16,804,032 | 125,567,630 |

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