



Republic of the Philippines  
**National Electrification Administration**

April 4, 2005

NEA MEMORANDUM No. 2005-009

**MEMORANDUM TO ALL ELECTRIC COOPERATIVES**

**SUBJECT : REVISED GUIDELINES ON CLOSE OUT OF ALL COMPLETED CONSTRUCTION PROJECTS FOR THE ELECTRIC COOPERATIVES (ECs)**

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**I. RATIONALE**

The Monthly Financial and Statistical Report (MFSR) of the ECs shows an alarming amount of Construction Work In Progress (CWIP) for several years now. The main reason for this prevalent situation is the failure of the ECs to close-out their completed projects due to the non-implementation of Work Order Procedure, giving rise to accounts that were not treated properly in the books. This practice denied the ECs the opportunity to reflect their actual financial condition.

**II. OBJECTIVES**

- a. To amend and simplify the existing procedures to be followed and documents to be submitted by the Electric Cooperatives (ECs) in the final inspection and acceptance of construction projects undertaken either by force account or by contract and regardless of funding source.
- b. To encourage the ECs to reclassify their completed projects properly in their books so that only current projects will remain in their CWIP account.
- c. To provide a more accurate report that will reflect the true financial condition of the ECs.

**III. IMPLEMENTING GUIDELINES**

- a. The ECs shall be responsible for the preparation of all supporting documents for close out of all completed construction projects. For construction projects funded other than internally generated funds (IGF), such as: loans, subsidies and Priority Development Assistance Fund (PDAF), coursed through NEA, the NEA shall be represented in the conduct of the final inspection and acceptance.

- b. NEA shall release funds for the ECs succeeding project of the same classification, such as: rehab/revamp, rehab/upgrading, expansion, etc., only when their previous project has been properly inspected and accepted.
- c. Funds for construction of distribution lines to barangays and sitios included in the approved work plan and committed for energization within the year maybe released by NEA in full amount in order to enable the concerned ECs to complete the project as committed.
- d. Constructed distribution lines funded through NEA maybe energized by the ECs even prior to final inspection and acceptance provided that it was constructed strictly in accordance with the NEA Standard specifications.
- e. The ECs shall use the forms and adhere to the procedures outlined in this memorandum to obtain the release of funds from NEA for subsequent construction projects.

#### **IV. PROCEDURES**

##### **A. Final Inspection Procedure:**

- 1. Upon completion of the project, the EC shall notify NEA Engineering Department that the project has been completed using the "Certificate of Completion of Construction Project" Form (NEA Form ENG-01).
- 2. The NEA Engineering Department shall notify the EC in writing at least fifteen (15) days before the intended date of final inspection and acceptance.
- 3. The EC Technical Department shall prepare the necessary documents for close out, such as: "As-Built Staking Sheets" (NEA Form ENG-02) and "Bill of Materials" (NEA Form ENG-03) of the project prior to the conduct of final inspection and acceptance..
- 4. Careful attention should be given to ascertain that all construction assembly units installed and inventory of excess materials released are properly accounted.

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B. Acceptance Procedure:

1. The final inspection and acceptance of the project shall be jointly conducted by NEA (Engineering Department and/or representatives from Management Assistance Group or the Electric Cooperative Audit Department) and the EC representatives (Engineering and Technical Auditor).
2. The corresponding documents for the final inspection and acceptance shall be prepared and signed by the inspecting party upon verification that all requirements had been complied with using the "Certificate of Final Inspection and Acceptance" (NEA Form ENG-04). Two (2) copies are to be prepared, the original copy for EC Technical Department and one copy to the NEA Engineering Department.
3. The EC Technical Department shall forward to the Finance Department through the Accounting Division within seven (7) days from final inspection and acceptance, all accomplished documents for proper close-out/distribution to the different Utility Plant in Service Account.

C. Close Out Procedure:

1. Work Order Procedure should be strictly implemented so that cost of all completed projects shall be closed/distributed to the proper Utility Plant in Service Account.
2. A "One-Time" simplified procedure is hereby authorized to facilitate the close out of projects that were completed 5 years and earlier (as of December 31, 2004), including Completed Construction Not Classified (Account 106) where the preparation of As- Built Staking Sheets and other related documents are no longer possible (Attachment 5 – Pro-forma Entry for One-Time Simplified Close Out Procedure).

3. In cases where completed projects are not yet distributed to Utility Plant In Service (Account 101) or on going constructions that were totally or partially damaged due to force majeure such as, typhoon, flood, fire, and earthquake, the corresponding cost shall be charged to Account 219, Un-appropriated Margins.
4. Items #2 and #3 shall be accomplished by the EC within a period of six (6) months upon effectivity of these guidelines. During this period, the EC Finance Department through its General Manager, shall submit a monthly status report to NEA through the Electric Cooperative Audit Department (ECAD).

## V. RESPONSIBILITY

The EC General Manager, Technical Department Manager, Finance Department Manager and Internal Auditor shall be jointly responsible in the implementation of these guidelines and the accompanying attachments (NEA form ENG-01 to 04 and Attachment 5) required to close out the project.

## VI. EFFECTIVITY

These guidelines shall supersede all previous memoranda and issuances on the same subject and shall take effect within fifteen (15) days after publication in the Official Gazette or with the UP Law Center.

  
**EDITA S. BUENO**  
Administrator



### Attachments:

1. NEA Form ENG-01, "Certificate of Completion of Construction Projects"
2. NEA Form ENG-02, "As-Built Staking Sheets"
3. NEA Form ENG-03, "Bill of Materials"
4. NEA Form ENG-04, "Certificate of Final Inspection and Acceptance"
5. Pro-forma Entry for One-Time Simplified Close Out Procedure

\_\_\_\_\_  
Date

**CERTIFICATE OF COMPLETION OF  
CONSTRUCTION PROJECTS**

This is to certify that the construction of the following electric distribution lines  
under the coverage area of \_\_\_\_\_  
has been inspected/verified this date and found to be completed.

ITEM NO.	LINE SECTIONS
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**Submitted by:**

**Approved by:**

\_\_\_\_\_  
**TSD Manager**

\_\_\_\_\_  
**General Manager**



AS - BUILT STAKING SHEET

SKETCH SEE SHEET NO. <u>2</u>	ELECTRIC COOPERATIVE, INC. (CO) Address _____  PROJECT SUBSTATION LOCATION _____ METERS _____	SHEET NO. <u>1</u> OF _____ MAP REF. _____	Project No. _____ (c) Checked by _____ Date _____ Released by _____ Date _____																									
STAKING SHEET			(c) Page No. _____ Staked by _____ Date _____ (b) Final Inv. by _____ Date _____ (b)																									
	POLE NO. Q	PRI. BACK SPAN MTRS. Q	POLE H	PRI. P. TOP UNIT (A.B.C.) G CODE ABC	TRANS FORMER "G" G CODE G	GRND "M" M CODE M2-	GUY "E" E CODE E	LEAD "F" F CODE F	ANC. "J" J CODE J	SECONDARY SPAN MTRS. C	2W or UB C	WIRE SIZE Q	N Q	"J" J CODE J	DROP MTRS. Q	N Q	SERVICE SIZE Q	N Q	"K" K CODE K	MISC. UNITS "M" M CODE M	RIGHT OF WAY "RI" RI CODE RI	C O N S CODE Q	REMARKS Computer Coding					
	PH Q	HT Q	CL Q	G CODE Q	G CODE Q	M2- Q CODE Q	E Q CODE Q	F Q CODE Q	QTY Q	CB Q	SIZE D	Q J CODE Q	K Q CODE Q	M Q CODE Q	RI Q CODE Q	Q CODE Q	QUANTITY Q	D ACGR D	ACGR D	Q PB Q	LF Q	IR Q	SL Q	QUANTITY Q	D ACGR D	ACGR D	IR Q	DUP Q
START OF LINE																												

*M. H. S.*

**BILL OF MATERIALS**

**Project** : \_\_\_\_\_  
**Cooperative** : \_\_\_\_\_  
**Location** : \_\_\_\_\_  
**Date** : \_\_\_\_\_

NEA CODE	DESCRIPTION	QUANTITY	UNIT COST	TOTAL COST
<b>TOTAL</b>				

Prepared by: \_\_\_\_\_ Reviewed by: \_\_\_\_\_ Approved by: \_\_\_\_\_  
 Staking Crew Chief      Planning & Design Manager      TSD Manager



\_\_\_\_\_  
Date

**CERTIFICATE OF FINAL INSPECTION AND ACCEPTANCE**

This is to certify that the construction of the following electric distribution lines under the coverage area of \_\_\_\_\_ has been inspected/verified this date and found to be completed, with all change orders and corrections fulfilled as per plans and specifications.

<b>ITEM NO.</b>	<b>LINE SECTIONS</b>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

\_\_\_\_\_  
EC Representative

\_\_\_\_\_  
NEA Representative





**Attachment 5 – Pro-forma Entry for One-Time Simplified Close Out Procedure**

Cost of Completed Construction under the “One-Time Simplified Procedure” shall be closed out proportionately to the balances of accounts 111-364-40 and 111-365-40 as of December 31, 2004. Example:

Balance as of December 31, 2004		<u>1-5 yrs</u>	<u>5 yrs or more</u>
111-107-20 Construction Work In Progress-Force Account	10,000,000	4,000,000	6,000,000
111-106-00 Completed Construction Not Classified	<u>3,000,000</u>	-	<u>3,000,000</u>
Amount to be Pro-rated	13,000,000	4,000,000	9,000,000
111-364-40 Pole, Tower & Fixtures	20,000,000		
111-365-40 Overhead Conductors & Devices	<u>15,000,000</u>		
	35,000,000		

111-364-40 Pole, Tower & Fixtures

$$\frac{20,000,000}{35,000,000} \times 9,000,000 = P5,200,000$$

111-365-40 Overhead Conductors & Devices

$$\frac{15,000,000}{35,000,000} \times 9,000,000 = P3,800,000$$

**PRO-FROMA ENTRY:**

111-364-40 Poles, Towers & Fixtures	P5,200,000
111-365-40 Overhead Conductors & Devices	3,800,000
111-107-20 Construction work In Progress- Force Account	P6,000,000
111-106-00 Completed construction Not Classified	3,000,000

**Explanation:**  
To close out cost of completed construction.

**Note:**  
Computation of depreciation for this account shall be computed based on respective EC records.