



07 July 2015

**MEMORANDUM No. 2015-018**

**TO : ALL ELECTRIC COOPERATIVES**

**SUBJECT : NEA Issuances on Commission on Audit Requirements**

The National Electrification Administration (NEA) issued the following Memoranda in compliance with the Commission on Audit (COA) recommendations on audit findings and observations during the conduct of audit of subsidy funds released to ECs for electrification projects:

Memo No.	Date	Subject
2015-15	22 June 2015	Request for Realignment of Projects
2015-14	16 June 2015	Compliances to Commission on Audit Requirements
2015-12	26 May 2015	Compliance to COA Audit Findings on Subsidy Funded Projects
Unnumbered	11 May 2015	SEP/BLEP

The highlights of the said memoranda are as follows:

- Strict compliance with the provisions of the Memorandum of Agreement entered into by NEA and EC particularly on the implementation of projects within the timeline, timely liquidation and return to NEA of the unutilized subsidy funds;
- Submission to NEA of original documents to support liquidation of funds; and
- Compliance with the provisions of RA 9184 and its IRR.

The EC Board, Management and Staff are therefore reminded to be guided by these issuances to avoid a repeat of COA observations. To reiterate, while the General Manager is the main accountable officer, it is the responsibility of the Finance Manager to ensure that such requirements are done and complied with and with dispatch.

For compliance.

*Edita S. Bueno*

**EDITA S. BUENO**  
 Administrator



NEA-OA218910

*Ed*  
 7/8/15



22 June 2015

**MEMORANDUM No. 2015-015**

**TO : ALL ELECTRIC COOPERATIVES (ECs)**  
**SUBJECT : Request for Realignment of Projects**

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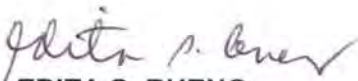
The Commission on Audit (COA) issued an Audit Observation Memorandum (AOM) to NEA on 15 June 2015 regarding EC requests for realignment of projects.

It has been observed that a number of EC requests for realignment were not in accordance with the provisions of the amended Memorandum of Agreement (MOA) as agreed upon by NEA and the EC. The MOA provides that:

*It is agreed that all amount in excess of total disbursement and cost of unimplemented project including interest earned thereon shall be returned/remitted to NEA and 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 in balances amounting to P100,000.00 and above. Excess balances below P100,000.00 shall be returned to NEA one (1) month after NEA final inspection and acceptance. ECs requesting for realignment are given three (3) months to prepare all the necessary documents and submit same to NEA within three (3) months from NEA final inspection and acceptance. Request for realignment shall no longer be accepted beyond this period.*

As such, in order for NEA to immediately comply with COA recommendations, all ECs seeking approval for realignment of projects are reminded to strictly adhere to the provisions of the MOA as reiterated in NEA Memorandum Circular No. 2013-022 dated 30 September 2013 (copy attached).

For your guidance and strict compliance.

  
**EDITA S. BUENO**  
 Administrator



NATIONAL ELECTRIFICATION ADMINISTRATION  
 Office of the Administrator  
 NEA-OA218400 *el*  
*6/25/15*



MEMORANDUM No. 2013-022

30 September 2013

**TO : ALL ELECTRIC COOPERATIVES (ECs)**  
**SUBJECT : Unexpended Subsidy Funds of Electric Cooperatives (ECs)**

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The Audit Observation Memoranda (AOM) issued by the Commission on Audit (COA) in 2008 to present always show repeated cases of unexpended subsidy funds not returned to NEA. The Memorandum of Agreement (MOA) between NEA and the ECs provides that all amount in excess of total disbursement and cost of unimplemented project including interest earned thereon shall be returned/remitted to NEA and/or the Recipient may request written authority from NEA to use the savings/balance as well as interest accruing to the funds for activities allied to the project, within one (1) month after Final Inspection of NEA.

It has been observed that most ECs request for realignment rather than return the excess funds to NEA. While the ECs may request for realignment as provided for in the MOA, submission of complete documents (board resolution requesting for realignment, staking sheets and bill of materials) were done 4-9 months after NEA's communication to return the excess funds, such that compliance of NEA to COA audit recommendations was very much delayed.

In order for NEA to immediately comply with COA recommendations, particularly for projects funded by SEP/BLEP, 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.

Further, the ECs requesting for realignment are given three (3) months to prepare all the necessary documents and submit same to NEA within three (3) months from NEA final inspection and acceptance. Request for realignment shall no longer be accepted beyond this period.

For your guidance and strict compliance.

  
**EDITA S. BUENO**  
Administrator

NATIONAL ELECTRIFICATION  
ADMINISTRATION

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10/11/13



16 June 2015

**MEMORANDUM No. 2015-014**

**TO : ALL ELECTRIC COOPERATIVES**

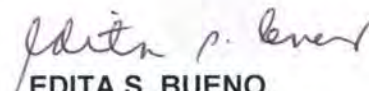
**SUBJECT : Compliances to Commission on Audit Requirements**

The Commission on Audit (COA), like the electric cooperatives (ECs), is our partner in national development. Its mandate is to protect government funds and resources to make sure that these are solely used for the intended purpose/s. Likewise, it ensures that all government projects are implemented in accordance with pertinent laws, prescribed rules and regulations.

As reported by COA, there were instances that the requested reports from ECs were not submitted or furnished on time or never at all. One specific example is the confirmation letter on your loans payable to NEA signed by the Administrator and sent by COA to 38 ECs through LBC courier but only 13 ECs replied.

We understand the demands from the EC workforce, however, accountability and transparency require adherence to auditing rules and regulations. ECs should therefore provide all the necessary reports, data and information requested by the auditors, regulatory and oversight bodies. For this purpose, while the General Manager is the main accountable officer, it is the responsibility of the Finance Manager to ensure that such requirements are done and complied with and with dispatch.

For strict compliance.

  
**EDITA S. BUENO**  
Administrator

NATIONAL ELECTRIFICATION ADMINISTRATION  
Office of the Administrator



NEA-OA218180

*Edl*  
*6/18/15*



May 26, 2015

**MEMORANDUM No. 2015-012**

**TO : ALL ELECTRIC COOPERATIVES**

**SUBJECT : Compliance to COA Audit Findings on Subsidy Funded Projects**

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Electric Cooperatives (ECs) are partners of Government to ensure the attainment of total electrification of the country. In this partnership, the ECs serve as the implementing arm of Government with NEA as its authorized agency to supervise program execution. To implement the program, NEA releases funds to ECs, and ECs undertake implementation following approved budget including timelines, and the prescribed government rules in the use of public funds. At present, subsidy funds cover sitio and barangay electrification projects and calamity assistance fund. Since these are government/people's fund, all these are subject to COA audit.

ECs are recipients of these funds, at present at Php26.5B. These amounts shall all be liquidated within timelines to ensure that projects are done, funds are accounted for and fully liquidated.

At present, the COA is conducting an audit of subsidies released by NEA to ECs, pursuant to Section 2, Article IX-D of the Constitution of the Philippines and Sections 29 and 43 of the General Auditors Code of the Philippines (PD 1445).

The audit is being conducted to determine the following:

- a. That utilization of subsidies were in accordance with the MOA.
- b. Subsidies were utilized with due regard to economy, efficiency and established policy.
- c. Electrification projects were implemented effectively in line with the attainment of the Agency's objectives and those of the National Government pursuant to RA 10531.


The significant audit observations and the corresponding recommendations are incorporated in the COA Report on Audit of Specific ECs and Annual Audit Report on NEA. Following are the common audit observations:

- a. Unexpended/excess subsidy funds not returned to NEA
- b. Delayed implementation of project
- c. Non-submission of original documents
- d. Realignment of projects without NEA approval
- e. Interest earned not returned to NEA

To immediately comply to COA audit recommendations, the auditee EC officials (Board President, General Manager, Finance Manager and Technical Manager) will be invited to NEA for a meeting to discuss the findings with the intention of signing of commitment by the EC on actions which it will take with timeline. This will facilitate all the necessary actions that should be taken both by NEA and the ECs.

Compliance to COA requirements will also be included in the regular assessment of ECs performance.

For strict compliance.

  
**EDITA S. BUENO**  
Administrator



NEA-OA2\*7608

hl  
5/29/15



May 11, 2015

**MEMORANDUM**

**TO :** ALL ELECTRIC COOPERATIVES (ECs)

**Subject :** Sitio Electrification Program (SEP) and Barangay Line Enhancement Program (BLEP)

Item No. 3 of the Memorandum of Agreement (MOA) between NEA and the ECs on the subsidy funded projects stated that "Procurement of equipment and materials and/or engagement of contractor for the projects(s) shall be guided by RA 9184 and its Implementing Rules and Regulations and relevant NEA policies, rules and regulations."

We observed however, that some ECs adopt the NEA's issued Simplified Bidding Procedures in the procurement of labor and materials for SEP/BLEP projects. Since these projects are funded by subsidies from the national government and are subject to COA audit, ECs are reminded to follow the provision of the MOA.

For your strict compliance.

Thank you.

**EDGARDO R. PIAMONTE**  
Deputy Administrator for  
Electric Distribution Utilities Services