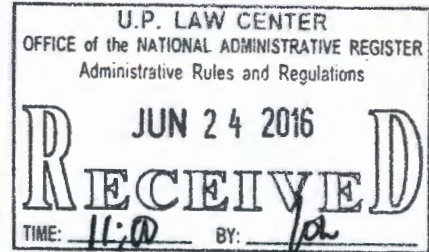




May 27, 2016

MEMORANDUM No. 2016-011



T O : ALL ELECTRIC COOPERATIVES (ECs)

SUBJECT: "A ONE TIME SIMPLIFIED CLOSE-OUT PROCEDURE" FOR ALL PROJECTS THAT WERE COMPLETED AS OF DECEMBER 31, 2014

I. RATIONALE

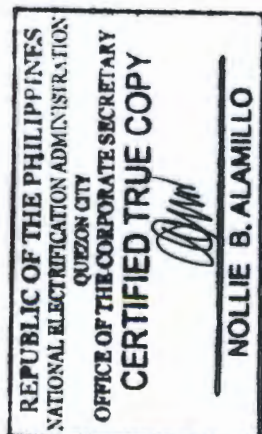
The Monthly Financial and Statistical Report (MFSR) of the Electric Cooperatives (ECs) shows a huge amount of Construction Work in Progress (CWIP), the total amount already reached to P15,403,603,420.00 as of March 15, 2015 for all ECs. This accumulated amount is attributable to ECs' failure to close-out their completed projects for several years now, and the inclusion to CWIP of the Special Equipment. As a result, the financial condition of the EC is not reflected accurately in the MFSR.

II. OBJECTIVES

1. To prevent accumulation of ECs' CWIPs from further ballooning and the understatement of the provision of depreciation in the books of accounts with the aim of accurately reflecting the financial condition of the EC.
2. To simplify the existing procedures in the close-out of completed projects where the preparation of As-Built Staking Sheets and/or other related documents are no longer possible.
3. To reclassify Account 101-107-30 (Special Equipment) included in the CWIP account to other account, Materials and Supplies - Special Equipment to form part of the inventoriable assets of the EC.

III. IMPLEMENTING GUIDELINES

1. The ECs shall be responsible to come up with the inventory listing and supporting documents of all CWIP that are not yet closed-out but already completed and Completed Construction Not Classified (Account 106) as of December 31, 2014 including the Subsidy Funded Projects which were already audited by the Commission on Audit (COA) with no audit observations or the audit observations were already addressed by the EC. The SEP/BLEP Projects where appropriate accounting and work order procedures are implemented and with separate subsidiary accounts, are excluded from this "One Time Simplified Close - Out Procedure". For purposes of validation, ECAD Forms A and B shall be used.



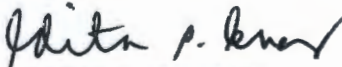
2. In cases where completed projects are not yet distributed to Utility Plant in Service account or on-going constructions that are totally or partially damaged due to force majeure, the corresponding cost shall be charged to Account - 219 - Unappropriated Margins.
3. The CWIP- Special Equipment, account 111 - 107 - 30 shall be reclassified to Materials and Supplies- Special Equipment, Account 150 -150 - 00.
4. Cost of Completed Construction under "One-Time Simplified Procedure" shall be closed out proportionately to the balances of accounts 111-364-40 and 111-365-40 per Pro-forma Entry #1. However, for cost of completed construction under Construction Work In Progress- Contract which includes kwh meters, transformers and service drop wires, Pro-forma Entry # 2 shall be followed.
5. This "One Time Simplified Close-Out Procedure" shall cover completed projects as of December 31, 2014 and shall be implemented by the EC within a period of one year upon the effectivity of these guidelines.
6. Completed Projects after the cut - off date of December 31, 2014 shall be closed-out using the Regular Work Order Procedures and implement appropriate accounting procedures. Henceforth, it is required of the ECs to maintain all pertinent records of all projects and Continuing Property Records.

IV. 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 ECAD Forms A, B and Pro-forma Entry 1, 2) required to close out the projects.

V. EFFECTIVITY

These guidelines shall take effect 15 days after publication in the official Gazette or with the UP Law Center.

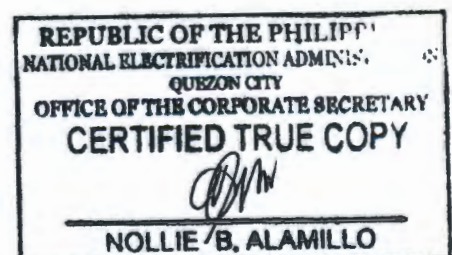
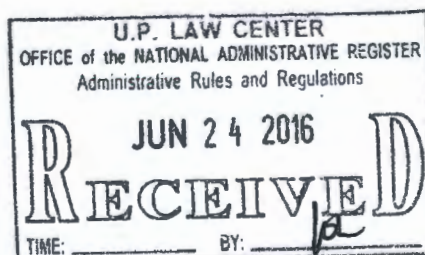

EDITA S. BUENO
 Administrator



6/20/16

Attachments:

1. ECAD Form A – Inventory Listing of CWIP – IGF & CAPEX Funded Projects
2. ECAD Form B – Inventory Listing of CWIP – Subsidy Funded Projects
3. Pro-forma Entry #1
4. Pro-forma Entry #2



Pro-forma Entry #1

Balances as of December 31, 2014

<u>Acct. Code</u>		
111-107-10	Construction Work in Progress-Contract	5,000,000*
111-107-20	Construction Work in Progress-Force Account	8,000,000*
111-106-00	Completed Construction Not Classified	<u>7,000,000</u>
	Total to be closed out	20,000,000
111-364-40	Pole, Tower & Fixtures	20,000,000
111-365-40	Overhead Conductors & Devices	<u>15,000,000</u>
		35,000,000

* Total amount of completed projects for close -out as of December 31, 2014

Pro-Rata:

111-364-40 Pole, Tower & Fixtures

$$\frac{20,000,000}{35,000,000} \times 20,000,000 = 11,428,571$$

111-365-40 Overhead Conductors & Devices

$$\frac{15,000,000}{35,000,000} \times 20,000,000 = 8,571,429$$

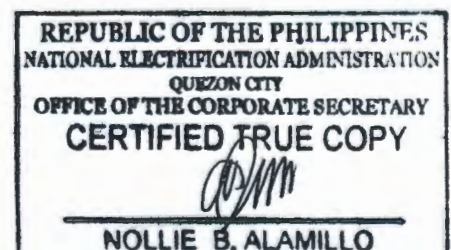
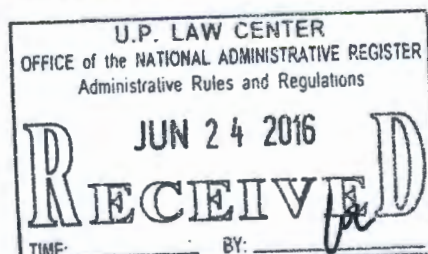
Pro-Forma Entry:

111-364-40	Pole, Tower & Fixtures	11,428,571
111-365-40	Overhead Conductors & Devices	8,571,429
111-107-10	Construction Work in Progress- Contract	5,000,000
111-107-20	Construction Work in Progress-Force Account	8,000,000
111-106-00	Completed Construction Not Classified	7,000,000

To close-out cost of completed construction

Note:

Computation of depreciation shall be computed based on respective EC records. 



Pro-forma Entry #2

Balances as of December 31, 2014:

<u>Acct. Code</u>		
111-107-10	Construction Work in Progress-Contract	30,000,000*
111-106-00	Completed Construction Not Classified	<u>8,000,000</u>
	Total to be closed out	38,000,000
111-364-40	Pole, Tower & Fixtures	20,000,000
111-365-40	Overhead Conductors & Devices	15,000,000
111-368-40	Line Transformers	10,000,000
111-369-40	Meters	5,000,000
111-370-40	Services	<u>2,000,000</u>
	Total	52,000,000

* Total amount of completed projects for close-out as of December 31, 2014

Pro-Rata:

111-364-40	Pole, Tower & Fixtures				
		<u>20,000,000</u>			
		52,000,000	x	38,000,000	= 14,615,385
111-365-40	Overhead Conductors & Devices				
		<u>15,000,000</u>			
		52,000,000	x	38,000,000	= 10,961,538
111-368-40	Line Transformers				
		<u>10,000,000</u>			
		52,000,000	x	38,000,000	= 7,307,692
111-369-40	Meters				
		<u>5,000,000</u>			
		52,000,000	x	38,000,000	= 3,653,846
111-370-40	Services				
		<u>2,000,000</u>			
		52,000,000	x	38,000,000	= 1,461,539

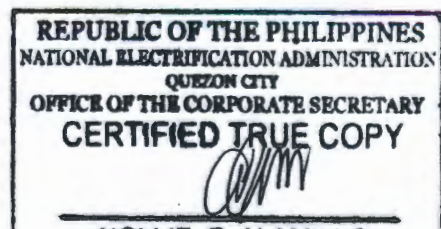
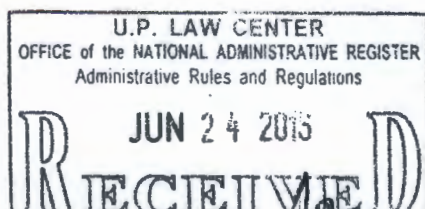
Pro-Forma Entry:

111-364-40	Pole, Tower & Fixtures	14,615,385
111-365-40	Overhead Conductors & Devices	10,961,538
111-368-40	Line Transformers	7,307,692
111-369-40	Meters	3,653,846
111-370-40	Service	1,461,539
111-107-10	Construction Work in Progress-Contract	30,000,000
111-106-00	Completed Construction Not Classified	8,000,000

To close out cost of completed construction/s.

Note:

Computation of depreciation shall be computed based on respective EC records.



INVENTORY LISTING OF CWIP
IGF, CAPEX Funded Projects

Date	Description of Projects	References (Any of the following)	TOTAL COSTS								REMARKS		
			Straight Contract	PARTIAL CONTRACT				FORCE ACCOUNT				For close-out (P)	For Retirement (P)
				Materials of EC	Labor by Contract	Overhead by EC	Total	Materials	Labor	Overhead	Total		
January, 2011		> Work Order Number											> Partially damaged - Typhoon Yolanda
		> Materials Charge Ticket											> fully damaged
		> Journal Vouchers etc.											> revamp/ rehabilitated
		> Disbursement Vouchers											> replacement
		> Contracts											
		> Inspection Report											
		> Certificate of acceptance											

Prepared by:

Reviewed by:

Approved by:

U.P. LAW CENTER
OFFICE of the NATIONAL ADMINISTRATIVE REGISTER
Administrative Rules and Regulations
RECEIVED
JUN 24 2016
TIME: BY: *[Signature]*

REPUBLIC OF THE PHILIPPINES
NATIONAL ELECTRIFICATION ADMINISTRATION
QUEZON CITY
OFFICE OF THE CORPORATE SECRETARY
CERTIFIED TRUE COPY
[Signature]
NOLIE R. ALAMILLO

17

INVENTORY LISTING OF CWIP
SUBSIDY FUNDED PROJECTS

Date	Description of Projects/MOA	References (Any of the following)	TOTAL COSTS (IN PESOS)										REMARKS	
			Straight Contract	PARTIAL CONTRACT				FORCE ACCOUNT				For close-out (P)	For Retirement (P)	
				Materials of EC	Labor by Contract	Overhead by EC	TOTAL	Materials	Labor	Overhead	Total			
June, 2011	46 Sitios/ MOA dated February 11, 2012 etc.	> Contracts												> Partially damaged - Typhoon Yolanda
		> Certificate of acceptance												> fully damaged
		> Inspection Report												> revamp/ rehabilitated
		> Disbursement Vouchers												> replacement
		> Work Order Number												
		> Materials Charge Ticket												
		> MOA with NEA												

Prepared by: _____

Reviewed by: _____

Approved by: _____

U.P. LAW CENTER
OFFICE of the NATIONAL ADMINISTRATIVE REGISTER
Administrative Rules and Regulations
RECEIVED
JUN 24 2016
TIME: _____ BY: *[Signature]*

REPUBLIC OF THE PHILIPPINES
NATIONAL ELECTRIFICATION ADMINISTRATION
QUEZON CITY
OFFICE OF THE CORPORATE SECRETARY
CERTIFIED TRUE COPY
[Signature]
NOLLIE B. ALAMILLO

[Handwritten mark]