

REVISED GUIDELINES ON CLOSE OUT OF ALL COMPLETED CONSTRUCTION PROJECTS FOR THE ELECTRIC COOPERATIVES (ECS)

NEA MEMORANDUM, April 04, 2005

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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.

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 with 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, Unappropriated 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.

Adopted: 4 April 2005

(SGD.) EDITA S. BUENO

Administrator

[*] Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

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