

## **FOREWORD**

The Department of Education (DepED) sees the urgent need for a seamless and coherent way of managing its resources more particularly supplies and physical properties to add value and make a real positive difference in the delivery of basic services.

A vital element that should be part of every organization's internal control system is the physical protection, utilization, disposal and proper accounting of its valuable assets. Managing risks across the whole organization is easier to implement with the presence of adaptive systems in resources management that focuses on ensuring transparency and accountability among its custodians in consonance with the principles of good governance.

This insightful and practical handbook has been specifically designed to liberate the Supply Officers/Property Custodians from the complex and excessive details of the procurement procedures and asset management. The handbook also outlines the custodians' critical roles to boost performance throughout the supply and property management process so as to serve and respond immediately to the demands and challenges of the DepED's vision of "Quality Education for All."

## **ACKNOWLEDGEMENT**

This handbook was developed through the untiring efforts, support and contributions of the valuable members of the Technical Working Group (TWG), the Advisers, Consultants, Editors, selected Supply Officers/Property Custodians from the field and other stakeholders.

In this regard, the Department of Education (DepED) through the Property Division would like to express its sincere and deepest appreciation and gratitude to those mentioned above whose continued assistance, constant guidance and professional suggestions made this handbook possible.

Further, sincere gratitude is extended to the Secretary of Education, the Undersecretaries, Assistant Secretaries and the Director of the Administrative Service for the inspiration and support in making this material a reality.

Their names are found at the end of this handbook.

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### **DepED ORDER NO. 45 s. 2006**

Guidelines on Delivery, Inspection and Acceptance and Recording of  
all Properties Procured by DepED Central Office and DBM-Procurement  
Service

### **DepED ORDER NO. 29 s. 2008**

Reiteration on the Compliance in the Submission of Reports on  
properties Procured by DepED Central and DBM-Procurement Service

### **DepED MEMORANDUM NO. 335 s. 2007**

Creation of a Technical Working Group (TWG) in The Preparation of  
Deped Handbook on Supply and Property Management

## **GLOSSARY OF TERMS**

# **CHAPTER I**

## **BASIC PRINCIPLES**

Public Office is a Public Trust (Sec. 1 Art. 11 of the 1987 Philippine Constitution; RA 6713). Public officials and employees must at all times be accountable to the people, serve them with utmost honesty, responsibility, integrity, loyalty, and efficiently act with patriotism and lead modest lives.

Section 2 of Presidential Decree No. 1445 otherwise known as The State Auditing Code of the Philippines states that “all resources of the government shall be managed, expended or utilized in accordance with law, rules and regulations & safeguarded against loss or wastage through illegal or improper disposition with the view of ensuring economy, efficiency, and effectiveness in the operation of the government”. The responsibility to take care of such policy rests directly with the chief or the head of the government agency concerned.

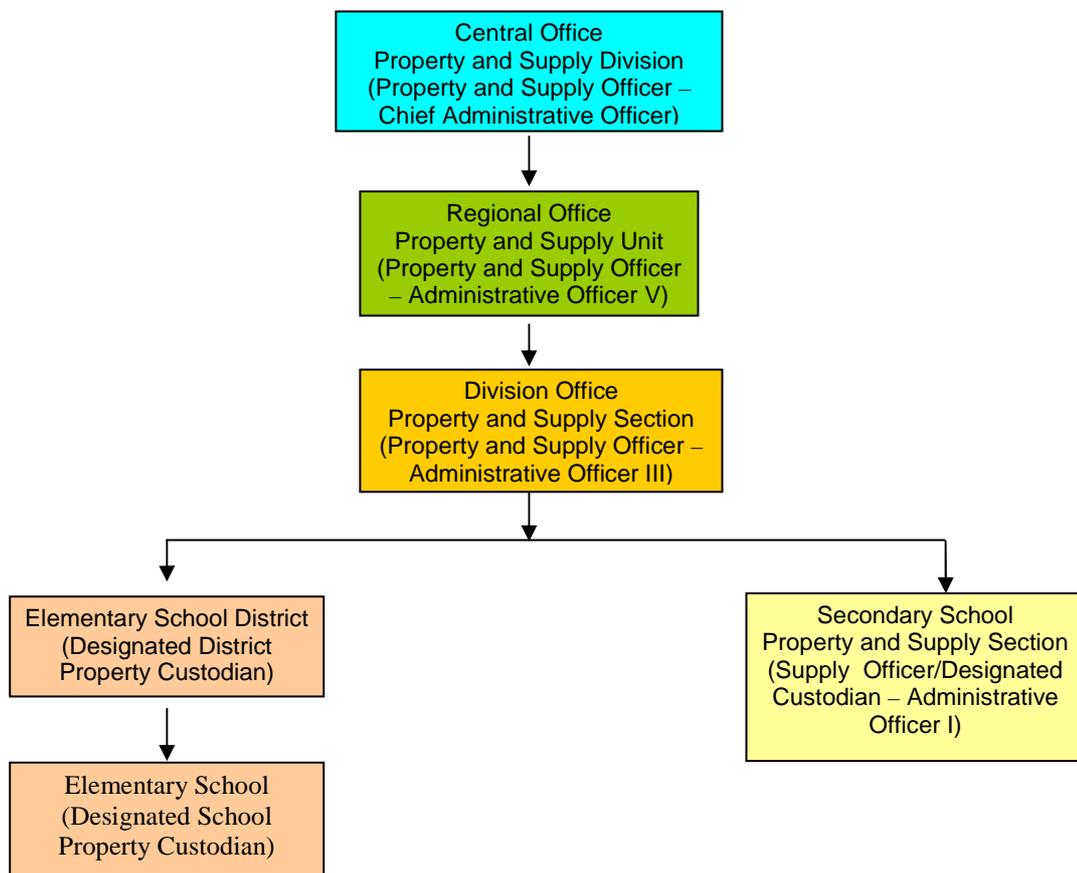
Thus, every officer of the government whose duties require or permit the possession or custody of funds and property should adhere to the declared policy of the state. S/he shall promote the ideas of good governance in all its branches, department, agencies, subdivisions and instrumentalities including Government-Owned and Controlled Corporation (GOCC) and Local Government Units (LGUs). Likewise, s/he shall exercise proper transparency, accountability, responsibility and

liability in undertaking his/her duties and functions. Subsequently, the exercise of such duties and functions shall mean to provide good governance in the implementation of programs and projects.

The head of the Office is primarily responsible for all government funds and properties pertaining to his/her agency. Likewise, the person entrusted with the possession or custody of the funds or property shall be responsible to the head of Office without prejudice to the liability of either party of the government.

## I. ORGANIZATIONAL STRUCTURE OF DEPED PROPERTY AND SUPPLY DIVISION/UNIT/SECTION

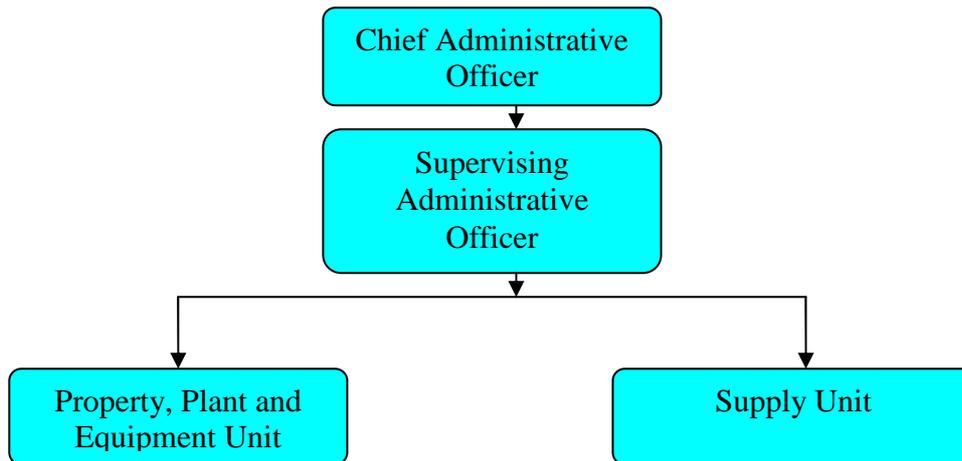
The Property and Supply Division/Section/Unit is one of the Offices of the Department of Education. It assists the entire Department in managing and in providing quality resources particularly materials and equipment to the Offices and Bureaus of the Central Office, Regional and Division Offices, Elementary and Secondary Schools.



## Central Office – Property and Supply Division

The Property and Supply Division of the Department is under the Administrative Service with two (2) major sections: Equipment and Supply Units.

### EXISTING SET-UP



### Major Functions of the Property and Supply Division

1. Procures supplies in a cost efficient and effective manner.
  - 1.1 Prepares Project Procurement Management Plan (PPMP) for all offices under the Office of the Secretary (OSEC) and consolidates common-use items into an Annual Procurement Program (APP).
  - 1.2 Prepares Agency Procurement Request (APR) for all items to be procured from the Department of Budget and Management – Procurement Service (DBM-PS).
  - 1.3 Accepts deliveries of supplies, materials and equipment based on the APR, Purchase Order (PO), Contract and request for the conduct of the inspection.
  - 1.4 Issues and distributes available supplies, materials and equipment to requesting offices of the OSEC, Bureaus, Centers and Services.

## 2. Implement effective Internal Control

- 2.1 Prepares and maintain Inventory Custodian Slip (ICS) for all inventory items, Report of Supplies and Materials Issued (RSMI), Stock Cards for supplies and materials and Property Card for all Property, Plant and Equipment (PPE).
- 2.2 Prepares Acknowledgement Receipt of Equipment (ARE) for all PPE.
- 2.3 Conducts physical inventory of all PPE of the Central Office and consolidates the same for the preparation of Annual Inventory Report.
- 2.4 Disposes waste materials and all unserviceable equipment in accordance with applicable laws, rules and regulations.
- 2.5 Issues clearance from property accountability of all officials and employees of the Central Office, Regional Directors (RDs) and Schools Division Superintendents (SDS).
- 2.6 Maintains and updates master database of inventories of all PPE and inventory items in the Central Office.
- 2.7 Monitors and maintains stock cards of textbooks and school furniture.
- 2.8 Conducts pre/post delivery inspection of textbooks and school furniture and equipment to the field together with the inspectorate team. Monitors and maintains stock cards of the same.

## 3. Provides technical assistance to the field pertaining to property and supply management.

- 3.1 Conducts seminar/workshop about supply/ property management.
- 3.2 Recommends policy that pertains to delivery, inspection and acceptance of supplies, materials and equipment to the field through Department Orders and other issuances.

## **Regional Office – Property and Supply Unit**

The Property and Supply Unit of the Regional Office (RO) is responsible in providing services related to supplies, property and equipment. Its functions extend to the Provincial or City Schools Divisions under its jurisdiction. The Unit is headed by a Property and Supply Officer/Administrative Officer V.

### **Functions of Regional Property and Supply Unit**

1. Consolidates PPMP into APP.
2. Prepares Agency Procurement Request (APR) for all items to be procured at the DBM-PS including procurement of common-use items that are available at DBM-PS.
3. Prepares PR for common-use items not available at DBM-PS and not exceeding Php 250,000.00 for submission to Bids and Award Committee (BAC).
4. Requests and conducts pre-inspection of supplies and materials.
5. Accepts delivered supplies, materials and equipment based on the approved Purchase Order (PO)/Contract/Job Order (JO) and prepares Inspection and Acceptance Report (IAR).
6. Prepares and submits disbursement vouchers together with the necessary documents to the Accounting Unit for payment.
7. Distributes available supplies, materials and equipment to the different requesting end-users based on Inventory Custodian Slip (ICS) and Acknowledgement Receipt on Equipment (ARE).
8. Prepares the monthly Report of Supplies and Materials Issued (RSMI) to be submitted to the Accounting Office every 5<sup>th</sup> day of the succeeding month.
9. Monitors and prepares report on the deliveries of all centrally procured supplies, materials and equipment for submission to the Central Office – Property Division.

10. Consolidates the reports submitted by the Division Offices.
11. Prepares report on the Physical Count of Inventories (RPCI) and the Property, Plant and Equipment (PPE).
12. Identifies unserviceable equipment and waste materials for disposal and prepares Inventory and Inspection Report of Unserviceable Property (IIRUP) and Waste Materials Report (WMR) for submission to the disposal committee.
13. Conducts seminars/workshops for supply officers and property custodians (division, district and school levels) regarding updates on supply/property management.
14. Signs clearance of property accountability for all officials and employees at the Region.

### **Division Office – Division Property and Supply Section**

The Division Office has its own property and supply section which is tasked to provide services within the division office, district offices, elementary and secondary schools under its jurisdiction. The section is headed by a Division Supply Officer.

### **Functions of Division Property and Supply Unit**

1. Consolidates PPMP into APP.
2. Prepares Agency Procurement Request (APR) for all items to be procured at the DBM-PS including procurement of common-use items that are available at DBM-PS.
3. Prepares PR for common-use items not available at DBM-PS and not exceeding Php 250,000.00 for submission to BAC.
4. Requests and conducts pre-inspection of supplies and materials.
5. Accepts delivered supplies, materials and equipment based on the approved Purchase Order (PO)/Contract/Job Order (JO) and prepares Inspection and Acceptance Report (IAR).

6. Prepares and submits disbursement vouchers together with the necessary documents to the Accounting Unit for payment.
7. Distributes available supplies, materials and equipment to the different requesting end-users with the corresponding Inventory Custodian Slip (ICS) and Acknowledgement Receipt on Equipment (ARE).
8. Prepares the monthly Report of Supplies and Materials Issued (RSMI) to be submitted to the Accounting Office every 5<sup>th</sup> day of the succeeding month.
9. Monitors and prepares report on the deliveries of all centrally procured supplies, materials and equipment for submission to the Regional Office.
10. Consolidates the reports submitted by the schools.
11. Prepares Report on the Physical Count of Inventories (RPCI) and the Property, Plant and Equipment (PPE).
12. Identifies unserviceable equipment and waste materials for disposal and prepares Inventory and Inspection Report of Unserviceable Property (IIRUP) and Waste Materials Report (WMR) for submission to the disposal committee.
13. Conducts seminars/workshops for supply officers and property custodians (division, district and school levels) regarding updates on supply/property management.
14. Signs clearance of property accountability for all officials and employees at the Division.

### **Secondary Schools – Property and Supply Section**

The functions of the Property and Supply Section are carried out by a property or supply officer holding a regular plantilla position; however, in secondary schools without regular position, a property custodian shall be designated to perform the functions.

#### **Functions of Secondary Schools Property and Supply Section**

1. Consolidates PPMP into APP.

2. Prepares Agency Procurement Request (APR) for all items to be procured at the DBM-PS including procurement of common-use items that are available at DBM-PS.
3. Prepares PR for common-use items not available at DBM-PS and not exceeding Php 250,000.00 for submission to BAC.
4. Requests and conducts pre-inspection of supplies and materials.
5. Accepts delivered supplies, materials and equipment based on the approved Purchase Order (PO)/Contract/Job Order (JO) and prepares Inspection and Acceptance Report (IAR).
6. Prepares and submits disbursement vouchers together with the necessary documents to the Accounting Unit for payment.
7. Distributes available supplies, materials and equipment to the different requesting end-users with corresponding Inventory Custodian Slip (ICS) and Acknowledgement Receipt on Equipment (ARE).
8. Prepares the monthly Report of Supplies and Materials Issued (RSMI) to be submitted to the Accounting Office every 5<sup>th</sup> day of the succeeding month.
9. Prepares report on the deliveries of all centrally procured supplies, materials and equipment for submission to the Division Office.
10. Prepares report on the Physical Count of Inventories (RPCI) and the Property, Plant and Equipment (PPE).
11. Identifies unserviceable equipment and waste materials for disposal and prepares Inventory and Inspection Report of Unserviceable Property (IIRUP) and Waste Materials Report (WMR) for submission to the disposal committee.
12. Signs clearance of property accountability for all officials and employees of the school.

### **Elementary Schools – Property and Supply Section**

The function of the property and supply section at the elementary schools shall be performed by a designated property officer/custodian.

### **Functions of the Elementary School Property Unit**

1. Prepares PPMP for the school.
2. Accepts, distributes and monitors all deliveries of supplies, materials and equipment to the different departments of the school and prepares necessary reports required by the Division Office.
3. Prepares request for inspection of deliveries of supplies, materials and equipment as well as the Inspection and Acceptance Report (IAR).
4. Prepares and maintains Property and Stock Cards for all properties and supplies of the school.
5. Prepares report on the Physical Count of Inventories (RPCI) and the Property, Plant and Equipment (PPE).
6. Signs clearance of property accountability for all officials and employees of the school.

## **CHAPTER II PROCUREMENT**

### **Governing Principles**

The Department of Education adopts the following principles as stated in Sec. 3 of RA 9184, otherwise known as the Government Procurement Reform Act which states that “all procurement of the government, its departments, bureaus, offices and agencies including state universities and colleges, government-owned and controlled corporations, government financial institutions, and local government units, shall in all cases be governed by the following principles:

- a. transparency in the procurement process and in the implementation of procurement contracts;

- b. competitiveness by extending equal opportunity to enable contracting parties who are eligible and qualified to participate in public bidding;
- c. streamlined procurement process that will uniformly apply to all government procurements. The procurement process shall be simple and made adaptable to advances in modern technology in order to ensure an effective and efficient method;
- d. system of accountability where both the public officials directly or indirectly involved in the procurement process as well as in the implementation of procurement contracts and the private parties that deal with the government are, warranted by circumstances, investigated and held liable for their actions relative thereto; and
- e. public monitoring of the procurement process and the implementation of awarded contracts with the end in view of guaranteeing that these contracts are awarded pursuant to the provisions of this Act and its implementing rules and regulations, and that all these contracts are performed strictly according to specifications.”

RA 9184 applies to the procurement of infrastructure projects, goods, consulting services, regardless of sources of funds, whether local or foreign, by all and instrumentalities of government, subject to the provisions of the Commonwealth Act No. 138 otherwise known as the “*Flag Law*”. Any treaty on international or executive agreement affecting

the subject matter of the Act to which the Philippine Government is a signatory shall be observed.

**I. Project Procurement Management Plan (PPMP) AND Annual Procurement Plan (APP)**

In all cases, procurement should be within the approved budget of the procuring entity. It should be meticulously and judiciously planned through the APP prepared, consistent with the government fiscal discipline measures. It should cover only those considered crucial to the efficient discharge of government functions formulated and revised in accordance with the guidelines of the IRR of RA 9184.

The following procuring entities in the different levels of the Department of Education (DepED) are mandated to consolidate the APP from the PPMP submitted by the different Project Management Offices (PMOs):

PROCURING ENTITY	PROJECT MANAGEMENT OFFICE OR END-USER
1) Central Office	1) Respective divisions/units/sections within the central office
2) Regional Office	2) Respective units within the regional office
3) Division Office	3.a. Respective units/sections within the division office  3.b. Respective elementary schools within the division

4) Secondary Schools	4) Respective units/sections within the school including the respective subject area departments.
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#### **A. Preparation of the PPMP**

The Project Management Offices (PMOs) or end-user units of the procuring entities are responsible in preparing and updating their respective PPMPs based on their annual work and financial plan. These units may avail of the services of technical experts to review their individual PPMPs which shall indicate the:

1. type of items to be procured, whether goods, services or infrastructure projects;
2. extent/size of contracts scope/packages;
3. procurement method to be adopted;
4. time schedule for each procurement activity; and
5. estimated budget for the general components of the contract.

In case of textbooks for general use, the packaging of the contract shall be divided into two components, 1) Procurement of the manuscript; and 2) Printing of the textbooks.

#### **B. Preparation of the APP**

All government procurement shall be undertaken in accordance with the approved APP. The procuring entity shall judiciously prepare, maintain and update its APP for all its procurement that shall include individual project and PPMP.

The BAC Secretariat of the region down to the school level is responsible in consolidating the different PPMPs for both the common-use and non-common-use items of the procuring entity's APP. At the Central Office, the Property Division is responsible for preparing the APP for common-use items, while the BAC Secretariat shall undertake the preparation of the APP for non-common-use items. The APP shall also include provisions for foreseeable emergencies based on historical records.

The updating of the individual PPMPs and the consolidated APP for each procuring entity shall be undertaken every six months or as often as necessary. Implementation of any project not included in the procuring entity's APP shall not be allowed unless otherwise approved by the Head of the Procuring Entity (HOPE).

In the preparation of the APP, consider the following:

- Identify and categorize the items according to common-use and non-common-use and submit it to the BAC for appropriate action, except in the Central Office where the common-use items shall be submitted to the Property Division for purchase at the DBM-PS.
- Determine the most beneficial and advantageous mode of procurement to be adopted for non-common-use items.

Schools without fiscal autonomy shall submit their PPMPs for consolidation. The APP shall be the basis of the Division Office in the procurement of supplies, materials and equipment.

## **II. Philippine Government Electronic Procurement System (PHILGEPS)**

The use of Information and Communications Technology (ICT) in the conduct of procurement procedures promotes transparency and efficiency. Accordingly, there shall be a single portal that will serve as the primary source of information on all government procurement which is the G-EPS. Further, the Government Procurement Policy Board (GPPB) is authorized to approve changes in the procurement process to adapt to improvements in modern technology, provided that such modifications are consistent with the provisions of Section 3 (c) of IRR-A of R.A. 9184.

To take advantage of the significant built-in efficiencies and the volume discounts inherent in bulk purchasing, all procuring entities shall utilize the G-EPS in procuring common supplies in accordance with the rules and procedures to be established by the GPPB. With regard to the procurement of non-common use items, infrastructure projects and consulting services, the agency may hire service providers to undertake their electronic procurement provided these service providers meet the minimum requirements set by the GPPB.

In all instances, the procuring entity shall ensure that all procurement shall be advantageous to the government.

### **III. Procurement through DBM-PS**

For every supply, material and equipment needed by various offices of the Department, an Agency Procurement Request (APR) shall be prepared by the Property and Supply Office in compliance with the requirements of DBM-PS and to be approved by the HOPE. However, if the items are not available at the DBM-PS, a certificate of non-availability shall be attached to the Purchase Request (PR) with an approved authority to purchase. These documents will be submitted to the BAC for competitive bidding or other modes of procurement.

### **IV. Modes of Procurement**

- A. **Competitive Bidding** - refers to a method of procurement which is open to participation by any interested party and undergoes the following processes: pre-procurement conference, advertisement, pre-bid conference, eligibility screening of prospective bidders, receipt and opening of bids, evaluation of bids, post-qualification, and award of contract. (For purposes of, and throughout, this IRR-A the terms "Competitive Bidding" and "Public Bidding" shall have the same meaning and shall be used interchangeably).

All procurement shall be done through competitive bidding subject to the existing laws, procedures, rules and regulations; except as provided for in Article 4 Section XVI of the Government Procurement Act.

#### **B. Alternative Methods of Procurement**

Upon resolution of the BAC and approval of the HOPE or his/her duly authorized representative, the procuring entity may resort to

any of the following methods, provided that the conditions in the Government Procurement Act (GPRA) shall be satisfied:

**Limited Source Bidding**, otherwise known as Selective Bidding is a method of procurement of goods and consulting services that involves direct invitation to bidders from a set of pre-selected suppliers or consultants with known experience and proven capability to comply with the requirements of a particular contract.

Limited source bidding may be resorted to under any of the following conditions:

- procurement of highly specialized types of Goods and Consulting Services which are known to be obtainable only from a limited number of sources; or
- procurement of major plant components where it is deemed advantageous to limit the bidding to known eligible bidders in order to maintain an optimum and uniform level of quality and performance of the plant as a whole.

**Direct Contracting** – Direct Contracting may be resorted to only in any of the following conditions:

- Procurement of goods of propriety nature which can be obtained only from the propriety source, i.e. when patents, trade secrets and copyrights prohibit others from manufacturing the same item;

- When the Procurement of critical components from a specific manufacturer, supplier or distributor is a condition precedent to hold a contractor to guarantee its project performance, in accordance with the provisions of his contract; or
- Those sold by an exclusive dealer or manufacturer, which does not have sub-dealers selling at lower prices and for which no suitable substitute can be obtained at more advantageous terms to the government.

**Repeat Order** is a method of procurement that involves a direct Procurement of Goods from the previous winning bidder, whenever there is a need to replenish Goods procured under a contract previously awarded through competitive bidding.

Repeat Order should be subjected to post-qualification process prescribed in the Bidding Documents and provided that all the following conditions are satisfied:

- The unit price must be equal to or lower than that provided in the original contract;
- The repeat order does not result in splitting of requisitions or purchase orders;
- Except in special circumstances defined in the IRR, the repeat order shall be availed of only within six (6) months from the date of the Notice to Proceed arising from the original contract; and
- The repeat order shall not exceed twenty-five percent (25%) of the quantity of each item of the original contract.

**Shopping** – Shopping may be resorted to under any of the following instances:

- When there is an unforeseen contingency requiring immediate purchase: Provided, however, That the amount shall not exceed Fifty Thousand Pesos (P50,000.00); or
- Procurement of ordinary or regular office supplies and equipment not available in the Procurement Service involving an amount not exceeding Two Hundred Fifty Thousand Pesos (P250,000.00): Provided, however, That the Procurement does not result in Splitting of Contracts: Provided, further, That at least three (3) price quotations from bona fide suppliers shall be obtained.

The abovementioned amounts shall be subjected to a periodic review by the GPPB. For this purpose, the GPPB shall be authorized to increase or decrease the said amount in order to reflect changes in economic conditions and for other justifiable reasons.

**Negotiated Procurement** is a method of procurement whereby the procuring entity directly negotiates a contract with a technically, legally and financially capable supplier, contractor or consultant.

Negotiated Procurement shall be allowed only in various instances.

- In cases of two failed biddings, as provided in Sec. 35 of R.A. 9184.
- In case of imminent danger to life or property during the state of calamity, or when time is of the essence arising from natural or man-made calamities or other causes where immediate action is necessary to prevent damage to or loss of life or property, or to restore vital public service(s), infrastructure facilities and other public utilities.
- Take-over of contracts, which have been rescinded or terminated for causes provided for in the contract and existing laws, where immediate action is necessary to prevent damage to or loss of life or property, or to restore vital public services, infrastructure facilities and other public utilities.
- Where the subject contract is adjacent or contiguous to an ongoing infrastructure project as defined in the provided IRR, however, the original contract is the result of a competitive bidding the subject contract negotiated has similar or related scopes of work, it is within the contracting capacity of the contractor, the contractor uses the same prices or lower unit prices as in the original contract less mobilization cost, the amount involved does not exceed the amount of the ongoing project, and, the contractor has no negative slippage. Provided, further, that negotiations for the procurement are commenced before the expiry of the original contract. Whenever applicable

this principle shall also govern consultancy contracts, where the consultants have unique experience and expertise to deliver the required service; or

- Subject to the guidelines specified in the IRR, purchases of goods, infrastructures and consulting services from another agency of the government, such as the Procurement Service of the DBM, should be in accordance with the Letters of Instruction No. 755 and Executive Order No. 359, s. 1989.
- Where the amount involved is Fifty Thousand Pesos (P50,000.00) and below;
  1. That the procurement does not result in splitting the contracts, as provided under Section 54.1 of the IRR-A of R.A. No. 9184
  2. That the procurement does not fall under Shopping in Section 52 of said IRR.

The above amount shall be subject to the periodic review by the GPPB. For this purpose, the GPPB shall be authorized to increase or decrease the said amount in order to reflect the changes in economic conditions and for other justifiable reasons.

## **DELIVERY, INSPECTION AND ACCEPTANCE**

### **I. Delivery**

The delivery of supplies, materials and equipment must be made by the supplier/manufacturer/contractor in accordance with the specifications, terms and conditions provided in the Contract/Purchase Order (PO).

Deliveries of supplies must be made by the Supplier/Manufacturer/Contractor within the stipulated period and at the place/s indicated in the purchase order or contract. In all cases, delivery shall be made within office hours and during working days. Failure to deliver within the prescribed period, the supplier/manufacturer/contractor shall be liable for penalty, usually in the form of liquidated damages specified in the Contract/Purchase Order. Liquidated damages in the amount of one-tenth (1/10) of one percent (1%) of the total amount of undelivered items in the contract shall be deducted for each day of delay.

The supplier/contractor/manufacturer may, in meritorious and justifiable cause, request for extension of time to deliver. The request shall be made before the expiration of the contract period. Extension of time may be granted in case of force majeure, fortuitous event, or if the reason beyond the control of the contractor, or the delay is attributable to the purchaser or the like.

All supplies shall be adequately contained, packed, crated, cased, bundled, wrapped or sealed to prevent damage, spoilage and loss. They must be properly labelled and marked in accordance with the minimum labelling requirements of RA 7394 otherwise known as Consumer Act of the Philippines. Responsibility in case of damage, spoilage or loss shall be governed by the existing laws on the matter unless the purchase order or contract provides otherwise. Deliveries shall be made within seven (7)

calendar days upon receipt of the order unless otherwise provided in the Purchase Order or contract.

All items delivered shall be received by the Supply Officer/Designated Property Custodian as the case may be. Receiving and signing on the Delivery Receipt (DR) and temporary recording of the deliveries shall be subjected to inspection by the Inspectorate Team.

## **II. Inspection**

Inspection is the process of examining and testing the procured supplies, materials, equipment and services including raw materials and components to determine their conformity with the contract requirements including all applicable drawings, specifications and purchase description.

The inspection of items shall be done by the Inspectorate Team, whose members shall be determined and designated by the HOPE.

Inspection shall be done in accordance with the standards and specifications and be conducted in the presence of the suppliers and end-user's representatives.

The Inspectorate Team and the Supply Officer/Designated Property Custodian shall prepare and sign the Inspection and Acceptance Report (IAR). For textbooks, desks and armchairs, IAR shall be prepared by Instructional Materials Council Secretariat (IMCS) and Physical Facilities and Schools Engineering Division (PFSED), respectively. The same IAR's shall be signed by the Inspectorate Team and supply officer/designated property custodian of the recipient schools.

## **A. Techniques for Inspection**

***Inspection by Item.*** Individual item is checked in conformity with the requirement stated in the specifications. This method of inspection is applicable, but not limited to deliveries of equipment and fixed assets.

***Inspection by Sampling.*** Sampling is a process of obtaining information about a group of data having similar purpose or function, usually ten percent (10%) of the total or lot delivery.

## **B. General Procedures in Conducting Inspection**

1. Upon receipt of the request for inspection, check the following documents as to their completeness and authenticity.

a. *PO and Contract*

- Date
- PO Number
- Name and Address of the supplier
- Supplier's Acknowledgement or Receipt (date of receipt)
- Specifications
- Quantity
- Unit/Total price
- Availability of funds
- Approval of the HOPE or his duly authorized representative)

b. Supplier's Invoice Delivery Receipt

- Pre-numbered and not just typed stamped or hand-written
- Date checked against the delivery date stated in the PO or contract
- RECEIVED” portion Receipt and date of item delivered, acknowledged by the supply officer /designated property custodian.

c. Other required papers necessary for a substantive inspection such as catalogue/brochures /government standard specifications, etc.

2. Conduct inspection and testing procedures when applicable.

3. Prepare inspection report immediately and give to the Inspectorate Team and supply officer/designated property custodian for signature.

### **C. Inspection Procedures for Specific Item**

#### *Equipment*

- a. Examine the equipment as to the physical condition: brand new, second hand, rebuild or reconditioned. See to it that no defective or old worn out parts are used/ attached to the equipment.
- b. Take hold of the manual, catalogue or handbook for the equipment delivered for reference. All date/information contained thereon should conform with the delivery of the serial number, point of origin, color and the accessories or tools that go with the equipment.
- c. Make a physical count and inspect the unit piece-by-piece or unit-by-unit. Random sampling is not applicable for this type of delivery because you have to request the supplier or his representative to

demonstrate the operation of the equipment (test run) in your presence and that of the end-user. Observes the actual performance thereof.

- d. Get the warranty card and note down the warranty card number in the original invoice. Check if the serial number indicated thereon is the same as that of the delivery.

#### *Textbooks*

- a. The supplier shall submit to the Procuring Entity (IMCS) a detailed printing, binding, revising, and packing schedule. The purchaser shall notify the supplier in writing of the identities of Purchaser's authorized inspectors.
- b. Supplier shall submit blue-prints to DepED – IMCS for checking and approval prior to mass printing.
- c. Supplier shall permit Purchaser to tear off 90 sheets of A4-size body and 60 sheets of A4-size cover stocks, and obtain five (5) corrugated box samples from supplier's materials to be used in producing and packing the textbooks. The sheets shall be taken from at least five (5) rolls of body stocks and five (5) rolls of cover stocks. The purchaser shall submit these sheets of body and cover stocks and box samples to Industrial Technology Development Institute (ITDI), FPRDI or any government accredited testing Center/Units for testing.
- d. In case printing, binding, revising, packing, and pre-shipment inspections will be conducted at Supplier's plant located abroad,

the inspections shall be conducted at Supplier's warehouse(s) located in the Philippines. The inspections shall be conducted before delivery of textbooks to their final destinations. Supplier shall inform Purchaser of the arrival of the Textbooks at Suppliers warehouse(s) located in the Philippines.

- e. Purchaser's inspectors shall conduct random inspection during printing, binding, revising and packing stages of Textbooks. An inspection report that records observed printing, binding, revising, and packing defects that need to be corrected, and track if corrections previously required were undertaken by Supplier, shall be signed by both the Purchaser's inspector and Supplier's production supervisor/authorized representative. Likewise, Purchaser shall conduct substantial pre-shipment inspection at Supplier's and its sub-contractor's premises without cost to the Purchaser or its inspectors for making defective TXs and TMs in a manner described under paragraph (f) below.
- f. Purchaser shall reject all textbooks, covers, and signatures produced and packed using body stocks, cover stocks, and corrugated boxes which failed the ITDI/Forest Products Research Development Institute (FPRDI) test based on Purchaser's specifications. Likewise, other materials used which do not comply with required specifications shall be rejected by the Purchaser.
- g. The Purchaser or its designated inspectors are authorized to mark or write the word "rejected" or "X" and affix their signatures on all defective pages, covers, signatures, or the whole Textbooks by the

use of an indelible ink or pen, discovered defective during printing, binding, revising, packing and pre-shipment inspections without any cost or liability to be charged to the account of Purchaser or its authorized inspectors. Supplier shall not pack for delivery Goods found defective.

- h. A month prior to the start of delivery, DepED-IMCS shall provide Supplier all copies of pre-numbered Inspection and Acceptance Reports (IARs) for use during the delivery of the Textbooks to its final destination.
- i. The Inspection Team composes of representatives from the DepED Inspectorate Team and IMCS.

## **Desk and Armchairs**

### **1. Pre-delivery Inspection (Suppliers Warehouse)**

The inspection and series of tests that will be conducted prior to shipment/delivery of goods and acceptance are as follows:

#### *a. Inspection of raw materials to be Used*

Upon receipt of request from the Supplier, a pre-delivery inspection shall be conducted by the Inspection Team from the Implementing Office at the Supplier's warehouse to check whether the component parts are in accordance with the contract specifications.

#### *b. Inspection of finished goods*

A sample conforming to the contract specifications corresponding to the number of recipient schools shall be selected as models by the Inspection Team. A property sticker shall be placed on the selected sample containing information such as name of the procuring entity, supplier, description of the goods and the date when the goods were acquired. The property sticker shall be signed by the Inspection Team. Those samples with stickers would mean that these have passed the inspection and that it complies with the contract specifications. These samples shall be delivered together with the other goods at sites. In addition, one set of sample (with sticker) shall be provided to the Implementing Office. Only goods conforming to the contract specifications shall be accepted by the procuring entity's authorized representative/s.

***Procedures in conducting pre-delivery inspection (Supplier's Warehouse)***

1. Conduct a random inspection on a small percentage of the goods to be delivered. The pre-delivery inspection is only for sampling purposes and does not commit the procuring entity to accept the goods that were inspected. If the items inspected do not conform to the contract requirement, the supplier shall be required to replace the items. A notice to deliver shall be issued specific to the batch of goods in which the random inspection has been conducted.

2. Upon receipt of the above notice, the Supplier must submit the detailed delivery schedules to the Procuring Entity at least a week before the start of the scheduled delivery so that the Procuring Entity would properly advise the recipient schools.
3. The HOPE shall create an Inspection Team which is a composition of one (1) representative from the Accounting Division, one (1) representative from Property Division and one (1) representative from PFSED.

## **2. Inspection during delivery at site (recipient school)**

The Inspection Committee shall inspect the goods in the presence of the supplier and check whether the description and quantity of goods received are in accordance with the contract specifications.

The complete list and technical specification of the goods shall be provided by the Implementing Office to the schools at least a week before the scheduled delivery.

The School Property Custodian shall receive all deliveries and shall sign the delivery receipt. Once inspected, the designated School Property Custodian with the School Inspection Committee prepares the Inspection and Acceptance Report (IAR). If no deviation is found in the goods in terms of quality and specifications, the Designated Property Custodian and the inspectors shall sign the IAR together with the Delivery Report (DR) to be submitted to the Division Property Supply Officer. However, if

there are deviations, the school inspection committee shall reject the delivery of goods and submit reports to the Division/Region/Central Office for the rejected delivery of goods.

### **3. Post-Delivery Inspection (PDI)**

A Final inspection shall be conducted by the Procuring Entity's Inspection Team prior to its Final Acceptance.

#### **School Buildings**

DepED/DPWH shall only construct "COMPLETE" school buildings except for multi-storey constructions which can be programmed as partial construction if there is limited budget. Ocular inspection of the proposed recipient schools; shall be undertaken to assess present site, electrical and water facilities conditions and determine actual classroom needs as well as estimated cost/financial requirement; thereof.

#### **Inspection and Acceptance of School Building**

##### **A. DPWH Implemented School Building Projects**

1. The school head must secure a copy of the Program of Works from the DPWH prior to the start of the construction.
2. The school head must seek assistance from a technical person to check the materials that are being used during the construction if they are in accordance with the required specifications.
3. The school head must call the attention of the DPWH project engineer and contractor on the status of works that are not in accordance with the specifications or standards.

4. The school head shall sign the Certificate of Acceptance/Certificate of Turnover only after the issuance of the 100% completion report by the DPWH Project Engineer. The same certificate shall also be signed by the Division Physical Facilities Coordinator.
5. The school head shall issue a Certificate of Non-Acceptance if the works are not in accordance with the specifications or standards.
6. During the defect liability period, which is one (1) year after the issuance of the Certificate of 100% completion, the school head shall report to the DPWH the failures or defects in the construction of the school building that are attributed to the fault of the contractor.
7. The school head must have the copy of all the documents related to the construction of the school building copy furnished the Division Office.

#### B. DepED Implemented School Building Projects

1. The school head must have a copy of the program of works to be done.
2. The school head must inspect the construction of the building and call the attention of the DepED Project Engineer particularly on works that are not in accordance with the specifications. The school head may seek the assistance from a technical person specifically in the conduct of the inspection.
3. The school head shall sign the Certificate of Completion together with the DepED Project Engineer, Division Physical Facilities Coordinator and PTCA only after all the punch-listed works have been rectified and the construction have been completed by the contractor.
4. A year after the Certificate of Completion, the school head shall sign the Certificate of Final Acceptance/Non-Acceptance upon the issuance of the Certificate of Post-Technical Inspection by the Division Inspectorate Team.

## **D. Documentary Requirements for Inspection**

1. General Requirements for Inspection of deliveries/fabrication/installation
  - Original copy of approved Contract/PO
  - Original Invoice/Delivery Receipt
  - Performance/Quality Test Result (if available)
  - Other documents specified in the contract necessary to determine conformance with specifications (e.g. approved plans/drawings/samples, standard specifications, etc.)
  
2. Inspection of Infrastructure Projects for construction, repairs and rehabilitation
  - 2.1 For reported progress accomplishment
    - Statement of Work Accomplishment (SWA)
    - Certificate of 100% completion for final payment
    - Certificate of Final Acceptance (CFA) for release of retention money
    - Approved original contract and all approved variation orders
    - Approved Program of Works (POW)
    - As-built plans (for completed projects only)
  
  - 2.2 For Necessity of Variation Orders
    - Approved variation order subject to inspection/verification
    - Original contract
    - Approved original plans and specifications and/or latest approved revised plans prior to the variation order
    - Authorized breakdown of the original contract cost

- Approved revised plans and specifications for the variation order
- Project engineers' report showing the dates of inspections and the results thereof to support the necessity of the issuance of the variation order.

3. Post repair inspection of vehicles

- Approved job order/work order/contract
- Office certificate of acceptance
- Waste materials reports, if applicable

### **III. Acceptance or Rejection of Deliveries of Goods**

The Inspectorate Team may recommend a rejection or reduction of price when there is a shortage in quantity, deficiency, or defectiveness in quality.

After consideration of 10% tolerable allowance based on standards, the following shall be observed by the Inspectorate Team in the evaluation of the result of the inspection:

- supplies or property tested and found to be in accordance with the approved PO/Contract and with the required specifications shall be accepted;
- supplies or property whose quality analysis shows a deficiency of less than ten percent (10%) may be accepted, provided that they shall serve the purpose for which they were purchased. The defect is minor and the contract price is reduced according to the deficiency noted;
- supplies or property whose quantity is short by volume, weight, actual count, etc. shall be subjected to reduction on contract price at an amount equivalent to the shortage, provided that the said deliveries are acceptable to the agency or unit; and

- damaged items that are not disclosed or incorrectly marked as such shall be subjected to corresponding reduction in the contract price.

$$\% \text{ of Deficiency} = \frac{[\text{Actual Standard}]}{\text{Standard} \times 100}$$

Failure of the supplier/manufacturer/contractor to deliver the goods on time as specified in the contract/PO, the property/supply officer shall deduct for each day of delay a liquidated damage of one tenth of one percent of the total value of the contract price.

Acceptance of deliveries maybe made only if the supplies and materials delivered conform to the standards and specifications stated in the contract/PO.

If the supplier failed to comply with the requirements, the property/supply officer shall submit a report to the HOPE for appropriate actions. The HOPE may forfeit the contractor's performance bond, if any, and may also institute civil actions against the contractor for breach of contract.

The Supply Officer/ Designated Property Custodian shall be responsible for accepting deliveries of procured items and should notify the Auditor within five (5) days upon receipt of the approved contract/PO.

#### **IV. Preparation of Disbursement Voucher**

The preparation of disbursement voucher shall be the responsibility of the end-user and/or Supply Officer/Designated Property Custodian after the inspection and acceptance of the supplies, materials and equipment delivered or the services rendered.

#### **A. Requirements for Payment for Specific Mode of Procurement**

##### **1. Public Bidding**

- Inspection and Acceptance Report;
- Certificate of Acceptance;
- Sales Invoice/Original Invoice;
- Delivery receipt;
- Contract/PO (original) duly acknowledged by the bidder/supplier;
- Performance bond;
- Notice/letter of award;
- Result of test/ analysis by proper government agency (if item subject to test);
- Resolution to Award
- Abstract of bids;
- Bidders bond;
- Notice to proceed;
- Acceptance of bid/proposal.
- Bid tender of winning bidder;
- Bid tenders of other participants;

- Copy of advertisement/invitation to bid; and
- Purchase Request

## **2. Emergency Purchase**

- Inspection and Acceptance Report;
- Certificate of acceptance;
- Charged invoice or delivery receipt;
- Purchase contract/PO (original) duly acknowledged by bidder/supplier;
- Resolution to Award;
- Abstract of canvass;
- Canvass sheet/price quotations;
- Purchase request; and
- Justification of the emergency purchase

## **3. Negotiated Purchase**

- Inspection and Acceptance Report;
- Certificate of Acceptance;
- Sales Invoice/Original Invoice;
- Delivery receipt;
- Contract/PO (original) duly acknowledged by the bidder/supplier;
- Performance bond;
- Notice/letter of award;

- Result of test/ analysis by proper government agency (if item subject to test);
- Resolution to Award
- Abstract of bids;
- Bidders bond;
- Acceptance of bid/proposal.
- Bid tender of winning bidder;
- Bid tenders of other participants;
- Copy of advertisement/invitation to bid; and
- Authority to enter into negotiable contract;
- Purchase Request

#### **4. Repeat Order**

- Inspection and Acceptance Report;
- Certificate of Acceptance;
- Original sales invoice and delivery receipt;
- Contract/PO [original] duly received by the bidder/supplier;
- Certified true copy of previous Contract/PO;
- Purchase request;

#### **5. Exclusive/Sole Distributorship**

- Inspection and Acceptance Report;
- Certificate of acceptance;
- Sales invoice and delivery receipt;

- Contract/PO [original] duly received by the bidder/supplier;
- Certificate of exclusivity/ sole distributorship issued by manufacturer/principal
- Certification from agency authorized official for no sub-dealers selling at lower prices and that no suitable substitute are available.
- Purchase request;

## **B. Documentary Requirements for Specific Items**

### **1. Equipment**

- Inspection and Acceptance Report;
- Certificate of Acceptance;
- Sales Invoice/Original Invoice;
- Delivery receipt;
- Contract/PO (original) duly acknowledged by the bidder/supplier;
- Performance bond;
- Notice/letter of award;
- Result of test/ analysis by proper government agency (if item subject to test);
- Resolution to Award
- Abstract of bids;
- Bidders bond;
- Acceptance of bid/proposal.
- Bid tender of winning bidder;
- Bid tenders of other participants;

- Copy of advertisement/invitation to bid; and
- Purchase Request

## **2. Infrastructure**

- Certificate of Inspection
- Statement of Work Accomplishment;
- Certificate of 100% completion;
- Certificate of Final Acceptance;
- Contract/PO (original) duly acknowledged by the bidder/supplier;
- Performance bond;
- Notice/letter of award;
- Plans and specifications;
- Resolution to Award;
- Abstract of bids;
- Bidders bond;
- Acceptance of bid/proposal;
- Bid tender of winning bidder;
- Bid tenders of other participants;
- Copy of advertisement/invitation to bid; and

## **3. Textbooks**

- Letter Request from supplier;
- Contract/PO (original) duly acknowledged by the bidder/supplier;
- Sales Invoice/Original Invoice;

- Certificate of Acceptance issued by the SDS;
- Inspection and Acceptance Report issued by recipient school;
- Result of test/ analysis by proper government agency
- Delivery receipt duly signed by the authorized receiving person;
- Copy of advertisement/invitation to bid;
- Duly signed price schedule;
- Bidders bond;
- Notice/letter of award;
- Performance bond;
- Abstract of bids; and
- Signed delivery schedule.

#### **1. Desk and Armchairs**

- Inspection and Acceptance Report;
- Certificate of Acceptance;
- Sales Invoice/ Delivery receipt;
- Contract/PO (original) duly acknowledged by the bidder/supplier;
- Performance bond;
- Notice/letter of award;
- Resolution to Award
- Abstract of bids;
- Acceptance of bid/proposal.

- Bid tender of winning bidder;
- Bid tenders of other participants;
- Copy of advertisement/invitation to bid; and
- Purchase Request

## CHAPTER III

### CUSTODIANSHIP

A government official is mandated to exercise diligence in the custodianship of any government property.

#### ***Basic Concepts***

Property Custodianship refers to the guardianship of government property by the accountable person. This includes the receipt, safekeeping, issuance, repair and maintenance of supplies, materials and equipment. The designated property custodian/officer is responsible, accountable and liable for any loss, misuse, damage or deterioration of government property due to fault or negligence in safekeeping which may be physical or constructive.

#### **I. Storage/Warehousing**

Storage/Warehousing refers to the scientific and economical warehousing of materials for their best safekeeping and availability. Best safekeeping means protecting the materials against theft, fire and deterioration but easily accessible when needed. The method or systems

include factors and procedures in the manner of undertaking *due care* and maintenance of good condition of the property.

### **Factors to be considered in Storage and Warehousing**

#### *1. Site Location and size of storage/stockroom to use*

Generally, selection of site location, type and size of storage or stockroom to be use, play a major role for an effective storage and Warehousing management. It is an important factor for the following purposes:

1. To be able to figure out the amount of materials that can be stored;
2. For determination of access for efficient and proper transport of supplies and materials;
3. For provision of large size of doorways and entrances;
4. For installation of proper lightings and ventilation.

#### *2. Space layout planning for materials to be stored*

For easy facilitation, space layout for materials to be stored should be properly planned. Specifically the layout should contain the placement of supplies by category, type, similarity, popularity, sizes, shapes, characteristics and to include perishability. It is important that materials be stored and placed in its proper places to avoid accidents and wastage.

### *3. Types of stacking suitable for each type of property.*

In like manner as in space layout planning, types of stacking for each type of materials should be given careful planning. It may be classified into 1) Bulk Storage 2) Medium Lot Storage and 3) Small Lot Storage. Where possible, all stocks should start at the wall and then worked forward to the aisle.

## **Procedures in Storage/Warehousing**

### *1. Receipt of Materials and Equipment and Other Property -*

Supplies, materials and equipment delivered by the supplier must be accompanied by Delivery Receipts (DRs) and/or Sales Invoice (SI), which were pre-inspected by the supply officer/designated property custodian before the items are received.

### *2. Arrangement of Materials -*

The storekeeper arranges the materials inside the warehouse/stockroom in accordance with the prepared storage plan.

### *3. Recording of Receipts/Deliveries*

The storekeeper properly posts and updates the information (receipts, issuances and balance on hand) taken from the IAR.

Reconciliation of entries of bin cards with stock/property cards and with physical count of stock on hand.

*4. Reconciliation of Entries of bin cards with Stock/property  
Cards and with Physical count of stocks on hand*

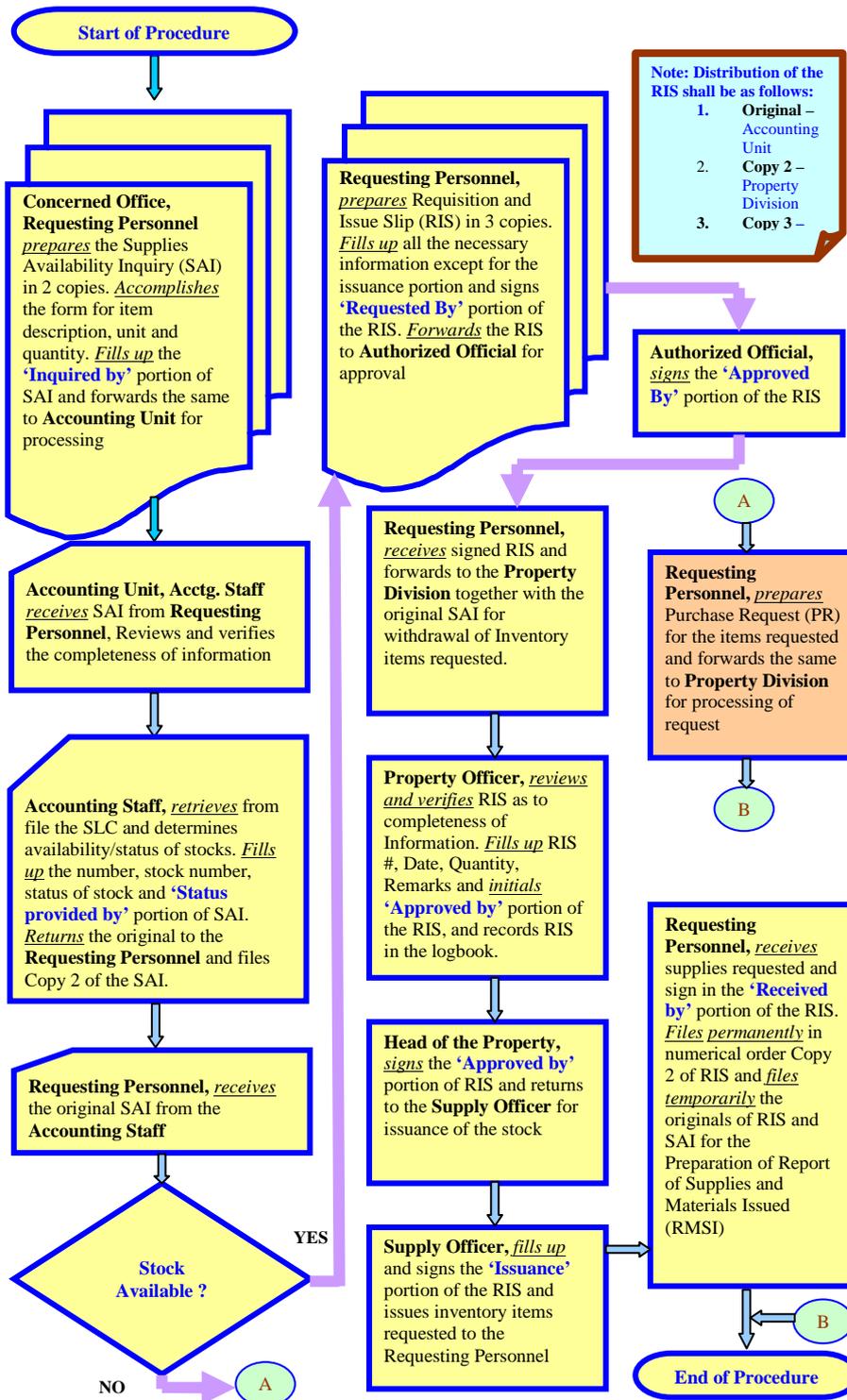
All should be current and properly updated

**II. Issuance and Utilization**

***Basic Principle***

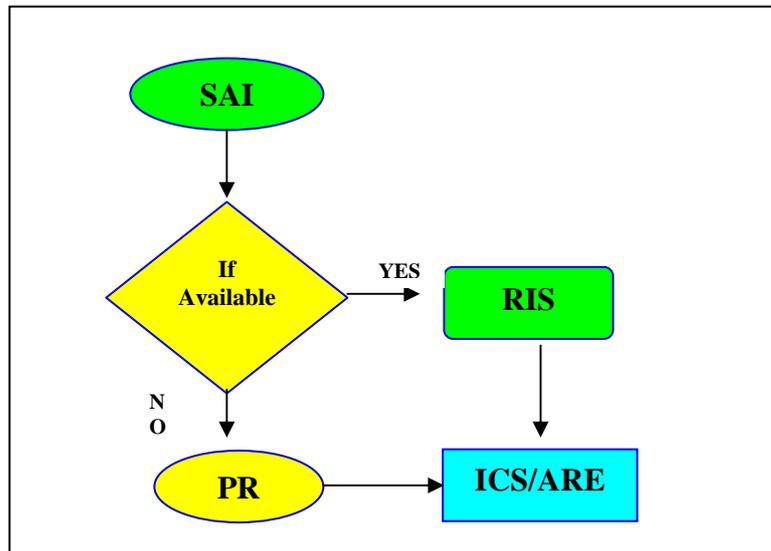
Issuance and utilization of supplies, materials and equipment are among the activities of property custodianship. The custodianship of supplies and equipment is transferred from the Supply Officer/Designated Property Custodian and Storekeeper/Warehouseman to the end-user who is responsible and accountable for the utilization and/or safekeeping. However, the utilization of supplies and property requires an efficient and honest procurement, an adequate stock control, complete recording, and proper care of the property. Likewise, a systematic and coordinated transfer of dormant, surplus, and excess items from one government agency to another, as well as maintenance and repair of property can also promote greater service and economy to the government. In like manner, an appropriate and timely transfer/movement of property can promote greater economy in the utilization of resources of the government. To assure such service and economy, a responsible official/employee should be selected to perform the custodianship of property.

## Procedure in the Requisition and Issuance of Inventory Items



## 1. Issuance Documents

The following forms are required in the issuance and utilization of supplies, materials and equipment. Below is the illustration on the preparation of the issuance documents.



1.1 *Supplies Availability Inquiry (SAI)* – is a document prepared by the requisitioning officer as a basis for the preparation of RIS and PR if the supplies/equipment are available or not available on stock. *(Subject to COA circular for implementation)*

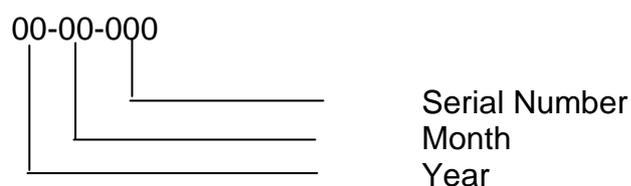
- a. *Agency* – name of the agency
- b. *Division/Office* – name of the requesting division/office
- c. *Responsibility Center Code* – responsibility center code of the requesting office as assigned by the COA.
- d. *SAI No.* – number of the SAI.
- e. *Requisition Stock No.* – stock number of the item being requested as provided by the Supply and Property Unit.
- f. *Item Description* – Description of the items being requested.

- g. *Requisition Unit* – unit of measurement of the stock being requisitioned such as ream, box, etc.
- h. *Requisition Quantity* – member/quantity of the stock being requisitioned.
- i. *Status of Stock* – status of the stock being requested as supplied by the Accounting Unit.

### 1.2 *Requisition and Issuance Slip (RIS)*

This is used if the goods/supplies carried in stock based on the SAI received from the Accounting Unit. The form contains the following information:

- a. *Agency* – name of the agency
- b. *Division/Office* – name of the requesting division/office
- c. *Responsibility Center Code* – responsibility center code of the requesting office as assigned by the COA.
- d. *RIS No./Date* – RIS control number assigned by the designated personnel in the Supply and Property Unit and the date of preparation. It shall be numbered in the following manner:



- e. *SAI No./Date* – number and date of the SAI attached to this RIS.

- f. Requisition Stock No.* – stock number of the item being requested as provided by the Supply and Property Unit.
- g. Requisition Unit* – unit of measurement of the stock being requisitioned such as ream, box, etc.
- h. Requisition Description* – description of the item being requisitioned.
- i. Requisition Quantity* – member/quantity of the stock being requisitioned.
- j. Issuance Quantity* – number of item issued.
- k. Issuance Remarks* – additional information regarding the issuance.
- l. Purpose* – brief explanation of purpose pertaining to the stock being requisitioned.
- m. Requested by* – name, signature and designation of the person who requested the item and date of request.
- n. Approved by* – name, signature and designation of the person who approved the issuance of the item and date of approval.
- o. Issued by* – name, signature and designation of the person who issued the item and date of issuance.
- p. Received by* – name, signature and designation of the person who received the item and date of receipt.

*This form shall be prepared in three (3) copies distributed as follows:*

- a. *Original* – Accounting Unit (together with the SAI for recording in the Supplies Ledger Card).
- b. *Duplicate* – Requisitioner's copy
- c. *Triplicate* – Supply and Property Unit's file.

### 1.3 Purchase Request (PR)

This form is accomplished if the goods/supplies/properties are not carried in stock based on the Supplies Availability Inquiry (SAI) received from the Accounting Unit. It contains the following information:

- a. *Agency* - name of the agency;
- b. *Department/Section* – name of the requesting office/section;
- c. *No./Date* – number assigned to the PR by the designated personnel in the Supply and Property Unit and the date the PR is prepared. It shall be numbered as follows:



- d. *SAI No./Date* – number and date of the Supplies Availability Inquiry (SAI) attached to PR;

- e. *Quantity* – quantity of goods/property requested to purchase;
- f. *Unit* – unit of measurement of goods/property requested to purchase;
- g. *Item Description* – brief description of the supplies/goods/property ordered;
- h. *Stock No.* – stock number based on the SAI;
- i. *Unit Cost* – the estimated cost per unit of the goods/property being requested;
- j. *Total Cost* – estimated total cost of the goods/property being requested;
- k. *Purpose* – a brief explanation of the purpose why the goods/properties are being requested;
- l. *Requested by* – name and signature of the person requesting the purchase of the items;
- m. *Approve by* – name and signature of the person approving the purchase of the items;

The PR shall be prepared in two copies:

- *Original* – Supply and Property Unit (SPU) for their appropriate action
- *Duplicate* – file of the requisitioning Department/Office/Division

Based on the approved PR, the SPU shall process the procurement of the item requisitioned and after completion of the process, prepare the Purchase Order.

#### *1.4 Acknowledgement Receipt for Equipment (ARE)*

ARE is used for PPE accounts when issued to officials and employees other than the regular property officer. It shall be signed and dated by the designated Property Officer under “Received from” portion and the recipient shall acknowledge by signing in the “Received by” portion. This form is accomplished in duplicate copies by the accountable officer.

- *Original* - submitted to the property officer
- *Duplicate* – kept by receiver of property
- *Property not covered by AREs shall be considered under the direct responsibility of the supply officer/designated property custodian who shall be accountable to the head of the agency.*
- *The AREs shall be renewed every three (3) years.*

The AREs shall be filed alphabetically by the supply officer/designated property custodian for ready reference. It shall be renewed on the third year after issuance. AREs that are not renewed after three years shall not be considered in making physical count of the equipment.

#### *1.5 Inventory Custodian Slip (ICS)*

ICS is used for items “with serviceable life of more than one year but small enough to be considered as PPE”.

- *Original* - submitted to the property officer
- *Duplicate* – kept by the end-user

#### *1.6 Invoice Receipt of Property (IRP)*

- ❖ Transfer of inventory supplies or property from one supply officer to another supply officer shall be covered by an Invoice Receipt of Property (IRP).
- ❖ Transfer of inventory supplies and PPE from the head of the department or office to the end-user shall be covered by ICS/ARE.

## **2. Recording for the Receipt, Issuance and Utilization of Supplies, Materials and Equipment**

The issuance of supplies/materials/equipment shall be properly accounted for. The recording for the receipt, issuance of supplies, materials and equipment is performed by the Supply Officer/Designated Property Custodian.

For control and monitoring purposes, the Property/Supply Unit shall maintain *stock and property cards*.

### *2.1 Record the Receipt and Issuance in the Bin/Stock/Property Card*

*2.1.1 Record the Receipt and Issuance In the Bin Card.*

The Warehouseman/Storekeeper shall maintain Bin Cards and record the receipt and issuance of each class of item kept in stock. He/She shall likewise monitor the status of the stock on hand at any given time. The warehouseman shall post the quantity requested immediately upon withdrawal of the supplies/materials from the stockpile. The same record shall also be maintained by the Project's Supply Officer/designated Property Custodian to closely monitor the stock position of the supplies, materials and equipment including construction materials for the project. The Bin Cards shall be reconciled with the Stock/Property Cards maintained by the Stock Clerk or Property Custodian.

*2.1.2 Record Issuance of Supplies and Materials in the Stock Card.*

The Supply Officer/Stock Clerk shall maintain the stock cards for each class of article kept in stock. All receipts and issuance of supplies, and the balance on hand shall be updated. The bases of recording the receipts and issuances shall be the DR and the RIS respectively. The stock card serves as guide in preparing the estimates of the quantity and description of the articles needed for the year, and in

guarding against overstocking of supplies and materials. It also facilitates physical inventory taking.

*2.1.3 Record receipt and issuance of PPE in the Property Card.*

The Supply Officer/designated Property Custodian shall maintain the Property Card for each class of PPE reflecting the date of acquisition, description, custody, estimated life expectancy, depreciation, disposal, and other information about the PPE based on the source of documents. The basis of recording the issuance of PPE is the ARE.

*2.1.4 Record Receipt and Issuance of Livestock (where applicable)*

The Property/Livestock Custodian shall maintain the Livestock Card for each large cattle, which includes cows, horses, mules, asses, carabao and other members of the bovine family, acquired by purchase or raised, which attain the age of one year.

Small animals like pigs, goats, fowls, etc. shall also be singly recorded in this form and taken-up as inventory upon reaching marketable age or are ready for use.

The Livestock Card shall be reconciled with the Livestock Ledger Card maintained by the accounting office.

## *2.2 Preparation of the Report*

The supply officer/designated property custodian or his representative prepares the RSMI (*Appendix 9-13*), which serves as a monthly abstract of supplies and materials issued as evidenced by the RIS.

The RSMI is prepared in two (2) copies:

- *Original* – Accounting Unit to support the JEV drawn to record issuance from the stocks.
- *Duplicate* – Property/Supply Officer's file.

At the end of the month, all RSMI shall be consolidated for the preparation of the Journal Entry Voucher (JEV).

## **3. Reconciliation of Property and Accounting Records**

The accounting of issuance is not complete without the proper reconciliation of property and accounting records. However, before the property records can be reconciled with the accounting records, the Property/Supply office shall see to it that the existing property records are reconciled with the actual inventory count.

The warehouseman/storekeeper may at any time conduct a test count of his stock to determine whether it tallies with the balance per bin cards. Any discrepancy (ies) should be noted for further investigation and if necessary, coordinate with the stock/property clerk to settle the differences.

#### **4. Repair and Maintenance**

The repairs and maintenance program is necessary for the purpose of attaining and/or extending the established standard economical and useful life of an equipment/property and serves as a sound basis for scheduling its replacement.

The program shall include policies on how government property will be properly maintained. It should also provide a system to retain properties/equipment in serviceable condition or to restore them to serviceability when they are economically repairable.

The Property Unit of the Agency shall maintain a Property/Equipment Card, which contains the history of the equipment owned and maintained by the agency. He/She shall regularly review the records to ensure that the needs for repairs and/or replacements are addressed immediately.

*Repair of Equipment (Major or Minor)*

Repair is the process/act of restoring a property/equipment to its original state or to its working condition. Unserviceable equipment may at once be restored to its normal state of efficiency by making repairs.

Minor or ordinary repair merely keep a building or equipment in fit condition for use without increasing its capacity or otherwise adding to its normal value as an asset.

Fair wear and tear is the condition of equipment worn out or otherwise rendered unserviceable through use without apparent fault.

Major or extraordinary repair is the alteration, addition or installation, general reconditioning, overhauling and the like, which materially increase the value or extend the useful life of the equipment or motor vehicles.

Maintenance is actions taken to retain the equipment or in a serviceable condition or to restore it to serviceability when it is economically repairable.

Before the equipment is subjected to repair the following procedures/actions should be considered:

- Identification of Equipment to be repaired i.e. those no longer functioning well, unserviceable due to normal wear and tear. All request for repair and/or servicing of vehicle or equipment shall be approved by proper

authorities. When the repair cost is more than thirty percent (30%) of its fair market value, the property is no longer economically repairable.

- Preparation of Request for Pre-Repair Inspection
  - Request for Pre-Repair Inspection is used to request for repair indicating the property to be repaired and the identified defects.
  - The end-user/accountable officer signs in the requisitioner portion and submits to the department/unit head for approval.
  - The approved request is forwarded to the Supply/Property Unit in three (3) copies.
  - Indicate the property to be repaired and determine whether said property is owned/maintained by the agency by referring to its property inventory report.
  - Provide the complete description of the property to be repaired through the Property History Card/Equipment Ledger Card.
  - Identify any parts to be supplies/replaced.
  - Sign on the “requested by” portion of the request.
  - Forward to the Inspection Unit/team of the agency concerned for the required pre-repair inspection activity.
  
- Conduct of Pre-Repair Inspection
  - Check the property card to ascertain government ownership of property.
  - Determine necessity of repair and extend of the damage to whether cost of repair is economical or not.
  - Determine reasons for breakdown as to fair wear and tear or negligence.

- Determine if property is still covered by warranty.
- Verify correctness or conformity with the actual scope of work to be done with that as determined by the agency mechanics, engineers or other personnel concerned

- Preparation of Pre-Repair Inspection Report

After conducting the pre-repair inspection, a pre-repair inspection report is accomplished indicating thereat the inspector's findings/observations and recommendations. A copy of this report should be submitted to the COA Auditor within five (5) days from date of evaluation/inspection.

- Preparation of Damaged/Unserviceable Parts

The management mechanic/carpenter shall be responsible in making the necessary replacement, whenever said replacement parts are available. However, if the repair work is awarded to private contractor parts to be replaced or worn-out parts should be identified and submitted to the government agency by the contractor as part of the waste material.

- Preparation of Waste Material Report

The preparation of Waste Material Report is the responsibility of the property/supply officer whenever

there are parts to be replaced. This is submitted to the agency head for approval.

- Conduct of Post-Repair Inspection

After the completion of the repair, the property officer prepares a Certificate of Acceptance indicating clearly that the work or service done are in conformity with the specifications of the contract or the identified service to be done to the property and accomplished within the specified period of time.

The property officer then prepares a request for post-repair inspection and forwards this to the agency inspector.

The inspector then proceeds with the post-repair inspection following these basic guidelines:

- Determine if the scope of work specified in the job Order had been performed and whether the replacement parts are as specified and brand new.
- Use the pre-repair inspection report as guide in conducting the post-repair inspection.
- Check the waste material reports and verifies whether the waste material presented were the parts taken from the property.
- Conduct the necessary performance test to determine whether the property is functioning well or is already in good running condition.

- Preparation of Post-Repair Inspection Report

Immediately after conducting the post-repair inspection, the agency inspector prepares the post-repair inspection report indicating thereat his observations and recommendations and the post-repair inspection report is submitted to the Supply/Property Unit for appropriate action.

#### **5. Return of Unused Supplies and Excess Materials**

Upon receipt of equipment that is no longer needed, the property clerk shall surrender to the officer or employee concerned the corresponding original ARE. Unused supplies previously issued from stock when no longer needed because of the completion of the work or project shall be returned to the property officer/custodian. The latter shall acknowledge receipt thereof and plainly marked "*Returned to Stock*". The original RIS shall be attached to the JEV adjusting the previous credit to the stock.

Scrap materials which may still be used in the future, shall also be returned to Property Officer/Custodian who shall acknowledge receipt thereof and plainly marked "Scrap materials returned to Property Officer/Custodian". The duplicate copy of the acknowledgement receipt shall be returned to the Requisitioner concerned and the original RIS shall be attached

to the JEV taking up the scrap materials at the appraised value to be determined by the disposal committee.

### **III. Inventory Taking**

*Inventory Taking* is an indispensable procedure for checking the integrity of property custodianship. The physical stock-taking of equipment and supplies serves as basis for preparing accounting reports. The Accounting and the Supply/Property Units shall reconcile their records at the end of each quarter.

The Supply Officer is required to take a physical inventory of all the equipment of their respective offices at least once a year. The inventory of supplies and materials in stock including medicines, drugs and other medical supplies exclusively for either commissary, sale manufacture or relief purposes shall be made every six (6) months (June 30 and December 31). The inventory of textbooks shall be undertaken at the end of the school year.

#### **Steps in Conducting Inventory Taking**

##### *1. Planning the Inventory-Taking*

The Chief of the Supply/Property Unit prepares the Inventory Guidelines and sends them to the Agency Head for approval. Plan of physical inventory and a set of written instructions shall be prepared for observance during the inventory-taking. To ensure efficiency and fast work,

inventories must be arranged and properly labeled with inventory tags serially pre-numbered and prepared in duplicate copies separating the top and bottom portions of the tag.

2. *Creation of Inventory Committee*

The Inventory Committee is composed of two or more regular employees including the property/supply officer or custodian depending upon the extent of property accountability in a particular office.

3. *Physical Inventory-Taking*

The inventory crew shall take the actual count, weight or measure of the object of inventory. The name of its inventory item, code number, location, count, weight or measurement is written on the Inventory Summary Sheet (ISS).

**Points to consider in conducting an Inventory**

- Withdrawal from and additions to inventory must be recorded on the count tags or sheets during the inventory taking.
- All discrepancies between physical and book inventories must be reconciled immediately.
- Proper cut-off must be determined. For the equipment, the property is labeled and identified by the inventory committee. Inventory labels of such equipment contain, among others the individual property number to be provided by the agency

concerned. To achieve permanence and best results, these numbers are uniformly printed in indelible ink and are pasted on prominent but secure portion of the property for easy identification.

### **Preparation of Inventory Reports**

#### **1. Report on the Physical Count of Inventory Items**

The Inventory Committee shall prepare the required semi-annual inventory report to be certified correct and approved by the Head of Office. It shall be submitted to the Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively.

#### **2. Report on the Physical Count of PPE**

The Inventory Committee shall prepare the PPE report annually by type such as heavy equipment, technical and scientific equipment, motor vehicles, office equipment per cards and per count and shortage/overage, if any. It shall be prepared in three copies, certified correct and approved by the head of the office. It shall be submitted to the auditor concerned not later January 31 of each year.

### **Witnessing the Inventory-Taking**

The representative of the COA Auditor shall witness the physical inventory taking conducted by the inventory committee and if possible also by the representative of the internal audit of the agency. He should observe the actual process in order to assure himself of the fairness of the financial statements.

The Internal Auditor of the agency concerned may review the inventory guidelines in advance and test-clock the counting of the goods/equipment as well as summarizing the inventory sheets.

### **Reconciliation of Property and Accounting Records**

- After the physical inventory-taking, the Inventory Committee shall reconcile the results of the physical count with the property and accounting records.
- The inventory listing of the supplies and materials inventory shall be checked against the stock cards maintained by the Property or Supply Officer and with the supplies/ledger cards and control accounts maintained by the Accounting Office/Department.
- The Inventory listing of the PPE shall be compared with the property cards maintained by the Accounting Office.
- The total thereof shall be reconciled with the control accounts in the general ledger.

## **Disposition of Property Held by Deceased, Incapacitated, Absconding, or Superseded Accountable Officers**

*Under Sec. 78, PD 1445*

- When an officer accountable for government funds or property dies or becomes incapacitated in the performance of his duties, the head of office shall designate a custodian to take charge of the funds or property until a successor have been qualified and appointed. The head of office may appoint a committee to account the cash and take an inventory of the property for which the officer was accountable and to determine the responsibility for any shortage therein. One copy of the inventory and the Report of the Committee duly certified shall be filed with the Commission on Audit (COA) but the findings of the Committee shall not be conclusive until approved by the commission or its duly authorized representative.
- If the absconding, deceased, incapacitated or superseded officer is accountable for funds or property of a province or city, the custodian and committee shall be designated by the Schools Division Superintendent (SDS)/City Schools Division Superintendent (CSDS). If the accountable officer is

at municipal/barangay funds or property, shall be designated.

- If the absconding, deceased, incapacitated or superseded officer is responsible to another who is accountable, the latter may himself designate the committee or take another lawful measures for the protection of his interest.

#### **IV. DISPOSAL**

Disposal is the end of the life cycle of a government property. This section discusses the reason and the modes of disposing them, the types of assets that are subject to disposal, and how they are inspected and appraised. It should include the formula or the process for their appraisal and the documents required in their disposal.

##### **Basic Concepts**

Despite the proliferation of various laws, rules and regulations governing disposal of property, a considerable quantity of unserviceable, no longer needed, obsolete, forfeited/seized supplies, materials and equipment and valueless records have grown into unmanageable and uneconomical proportions in various government agencies. To save cost of maintaining such property, there is a need for their disposal.

Pursuant to Sec. 1 of EO No. 888 and COA Cir. No. 89-296, the full and sole authority and responsibility for the disposal of properties and

other assets owned by the Government shall be lodged in the heads of offices.

## **Guidelines in the Disposal**

### **A. Inspection**

Inspection is conducted to observe the physical condition of the property to be disposed. An ocular inspection is usually done to have a first-hand observation of the conditions of the property. Its objective is to supplement theoretical computations of value with first hand observation of the condition of the property.

In the conduct of inspection of the property to be disposed, the following shall be performed:

- Identify the property in accordance with its descriptions in the inventory list or directive.
- Check the condition of the property and determine whether operational, under repair or irreparable.
- Determine if the property is economically repairable and the most probable cost of its repairs and current costs of spare parts.
- Check for the damage/worn-out or missing parts. Careful determination of its present physical condition shall serve as basis for its depreciation and correct evaluation/valuation.
- Verify stated ratings, capacity, model, year of manufacture, serial number, chassis number, motor number, and other technical specifications, and accessories, if any.

- Determine the correct date when the property has been acquired or its present age/number of years the property has been actually used or operated.
- See if property is obsolete or still being manufactured and if spare parts are still procurable in the market. If property is found obsolete, appraise the property as junk.
- Determine the quality or degree of maintenance, repair, restoration or upgrading made, check logbook, if available.
- Determine the extent of use, mileage, rate of depreciation, and any excessive wear and tear.
- Determine whether property has still market demand; or the existence of probable buyers in the locality.
- Inspect the location of the properties and the available facilities for their transportation.
- See if the property is sheltered or exposed to elements and theft.
- Determine the parts which could be salvaged or profitably used such as engine, dynamo, wheels, tires, axles, body/chassis, etc. of motor vehicles. These salvaged parts could either be transferred to or used by other equipment or shall serve as its spare or standby parts.

## **B. Appraisal**

This is usually done to attain more realistic valuation of property under disposal based on the actual state or condition of properties being disposed and to provide a reliable basis of ensuring that government recovers a fair return for the disposal of the properties.

The objective in computing the appraised value of the property is to set the government's minimum selling price so that the government shall receive fair compensation on the items. The Disposal Committee member, including the owning agency shall prepare their appraisal report.

### **Appraised Value**

- An estimate or opinion of the value of an adequately described property as of a specific date transmitted in writing and supported by presentation and analysis of relevant and factual data.
- Unserviceable property which can no longer be repaired or reconditioned shall be appraised at scrap or junk value.
- Unserviceable property which can still be repaired or reconditioned shall be appraised at sound value.

### **Principles in Determining the Appraised Value**

- Unserviceable property which cannot be repaired or reconditioned shall be appraised as scrap or junk value.
- Unserviceable property which can still be repaired or reconditioned and property that is no longer needed but is still functional shall be appraised at current market value. If not it shall be appraised based

on its Acquisition Cost (AC). If CMV and AC are not available, the property shall be appraised at Sound Value.

- Antique property, works of art, and real estate are not covered under these guidelines. Antique property and works of art shall be appraised by the National Museum and Real Estate with a separate set of guidelines.
- For imported vehicles and mechanized equipment, each component that has no available local replacement shall be treated as junk exclusive of the other components that are available in the domestic market.

### **General Procedures in Appraising the Property for Disposal**

1. Conduct an ocular inspection of the property to be appraised to assess its physical condition.
2. Seek reference price information such as acquisition cost or current market price of similar property or replacement cost for a similar new property.
3. Compute the appraise value following the revised formula on appraisal of government properties except real estate, antique property and works of art which takes into account the property's actual physical condition, the relevant reference price information, expected useful life of the property and the changes in the value of the property caused by depreciation or changes in the value of the exchange

currency and also appreciation in the value of the property occasioned by the reconditioning, major repair or upgrade of property.

### **Preliminary Documentations**

The Inspection Committee of the property to be appraised shall ensure that the corresponding forms for disposal have been properly accomplished. The forms used for disposal are the following:

- *Inventory and Inspection Report of Unserviceable Property*

This form is used for the disposal of vehicles, equipment, furniture and inventory items. This form should also contain the list of missing parts, if any, which should be accompanied by a certification of the property officer or custodian as to whether the missing parts were removed for future stock or have been utilized already for repair purchases.

- *Waste Materials Report*

This form is used in the disposal of waste materials which result from the consumption or utilization of inventory items, and covers damaged equipment parts, empty containers, and remnants salvaged from destroyed or damaged fixed assets.

The appraiser shall likewise accomplish the checklist for unserviceable equipment. The checklist shall indicate the individual component/part of the equipment with their condition whether serviceable, or missing, etc. The agency should device

their own forms that are most appropriate to the equipment for appraisal.

If the property to be appraised is no longer available for inspection, as in the case of lost or burned equipment, the appraiser shall forego the ocular inspection and proceed to the succeeding appraisal step.

### **Depreciation for Property/Equipment**

Depreciation is the systematic and gradual allocation of the depreciable amount of asset over its useful life. Depreciation shall be computed using the Straight Line Method. It shall start on the second month of purchase. A residual value equivalent to ten percent (10%) of the cost shall be set. Annual depreciation is computed as follows:

Asset Cost Less Estimated Residual/

$$\frac{\text{Salvage Value}}{\text{Estimated Useful Life}} = \text{Annual Depreciation}$$

Asset Cost – Purchase or Acquired Value of the Asset

Estimated Salvage Value – 10% of the asset cost

Estimated Useful Life – Estimated number of years the asset shall

be used as determined by COA

### **Reference Price Information in Appraisal**

The appraisal shall consider the following reference price information as guide in the computation:

- *Basic Price Information*

1. Current Market Value (CMV) or the prevailing market/advertised prices of used equipment/cars of the same or similar models.
2. Acquisition Cost (AS) or the price at which property was acquired.
3. Replacement Cost New (RCN) is the price comparable or similar to new property of the current year.

- *Contributory/Other Price Information*

1. Prices from second hand re-builders or reconditioned machines, cars or equipment.
2. Current exchange rates for acquisition year and current year.

### **Guidelines in Observing Conditions of Property**

#### **Very good (VG) (80-100%)**

This term describe the property in excellent condition which is capable of being used to its fully specified purpose without being modified and not requiring any repair or abnormal maintenance at the time of inspection or within the foreseeable future.

#### **Good Condition (G) (55-75%)**

This term describes a property that has been modified or repaired and is being used to its fully specified utilization but the effect of age on its utilization indicate that some minor repairs have to be made or that the item may have to be used to some slightly lesser degree than its fully specified utilization in the foreseeable future.

**Fair Condition (F) (35-50%)**

This term describes a property which is being used at some point below its fully specified utilization because of the effects of age and/or utilization and which require general repairs and some replacement of minor elements/components in the foreseeable future to raise its level of utilization to or near their original specifications.

**Poor Condition (P) (15-30%)**

This term is used to describe a property that can only be used at some point below its fully specified utilization. There is no possibility to realized its full capability in the current condition without extensive repairs or the replacement of the major elements in the near future.

**Scrap Condition (S) )0-10%)**

This term is used to describe a property that is no longer serviceable. It cannot be utilized to any practical degree regardless of the extent of the repair or modification to which they may be subjected

(beyond economical repair). This condition has used up to 100 percent of its useful life.

The gap in percentage allocation is aimed to delineate the closeness of factors between condition categories. The 4% difference in each case clearly sets the limits of percentage range.

For furniture and non-mechanized implements which have no major components but is treated as a whole unit, condition factor shall be equal to the condition rating of the unit itself.

Example:

Condition Rating – Very Good

Condition Factor - .8 to 1.0

With respect to vehicles, mechanized equipment, etc. that are made up of several components, the condition factor is the sum of condition rating x % weight of all components. See table 1 for component rating of vehicles, heavy equipment, and window, type of air-conditioning unit, manual typewriter and dental equipment. These component ratings were derived from the price of each component in relation to the total price of the property expressed in percentages.

In case of property that is no longer available for inspection, as in the case of lost or burned equipment for which accountability is being assessed, the condition factor shall be assumed to be 1.0

**Formula in Appraising the Government Property**

- When property is still operational/functional or can be repaired or when Current Market Value is Available

CF1

$$AV = CMV \times \frac{CF1}{CF2}$$

CF2

Where: AV – Appraised Value

CMV – Current Market Value

CM1 – Condition Factor of the Property

CM2 – Condition Factor of the Advertised/Canvassed

Property

- When CMV, AC and RCN are all available, CMV shall be adopted in the computation of the appraise value. The CMV shall be taken from advertised prices of used equipment of the same or similar models from newspapers, publications of associations, etc. of general circulation. There should be at least two (2) advertised prices for similar properties, the lowest of which shall be considered as CMV in the computation of the AV.
- When Acquisition Cost (AC) is available, the correct cost indicated in the ARE shall be recognized as AC if the Purchase Order/Invoice are no longer available.

- For Imported Property

$$AV = (AC \times CFF) \times CF$$

Where:

AC – Acquisition Cost

CFF – Currency Fluctuation Factor

$$CFF = \frac{P/\text{Dollar-exchange rate on year of appraisal}}{P/\text{Dollar-exchange rate on year of acquisition}}$$

CF - Condition Factor of the Property

- For Locally Manufactured Properties

The formula shall apply to properties that are one hundred percent 100% sourced locally and no part of which is imported (Ex. Furniture, steel cabinets, etc.)

$$AV = (AC \times PIF) \times CF$$

Where:

PIF – Price Index Factor

$$PIF = \frac{\text{Price Index on year of appraisal}}{\text{Price Index on year of acquisition}}$$

- When replacement Cost (New) is available, the formula shall only apply in the CMV and AC that are not available.

ERL

$$AV = RCN \times \frac{\text{-----}}{EUL}$$

Where:

RCN – Replacement Cost – New

ERL – Effective remaining Useful Life

EUL – Estimated Useful Life

- For waste materials and property that are unserviceable and can no longer be repaired/reconditioned, the end user shall determine the unserviceability of the property and shall be supported with the Property/Equipment Card and Checklist of Unserviceable Vehicles/Heavy Equipment.

AV = Junk Value

- Where Junk Value is based on prevailing price of scrap metal or lumber whichever is appropriate, canvass for the current market price per unit, weight and multiply by the actual weight of the waste materials/property to get the appraise value.

Computers and their peripherals shall be appraised based on their junk value due to obsolescence brought about by the rapid change and development in the industry.

- Adjustment of Appraised value when auction bids are low

In Sec. VII of COA Memorandum No. 88-569 the activities hereunder were performed by the auditor. However, with the lifting of pre-audit, these functions became the responsibility of the agency.

After the exposure of the property to public auction, as required under Sec. 79 of PD 1445, the highest bid that falls below the government floor price of the agency shall;

- Determine whether the difference is excessive. The amount of deviation of the highest bid from the floor/reference value is considered excessive when it is greater than 10% of the floor/reference value plus the cost of calling another public auction
- Continue with the sale of the unserviceable properties if the difference is found to be excessive. The agency shall call for another public auction with the floor/reference value reduced by 10%.
- Conduct another public auction if the second auction still fails, i.e., the highest bid is still excessively lower than the reduced floor/reference value, then the sale may be negotiated with the highest offer.

### **Setting of Minimum Value**

Pursuant to EO 888, Sec. 3(2), in case of conflict in appraisal, the Disposal Committee shall deliberate on the appropriate appraised value that the government shall set as the minimum bid price. If the committee

cannot arrive at a consensus, the chairman shall adopt an appraised value which he deems most advantageous to the government based on either of the following:

- The highest appraised value submitted by a Committee member; or
- The average of the submitted appraised value plus 10%
  - The minimum value shall be set depending on how the property shall be sold, i.e., by piece, by lot or all lot
  - The minimum value shall be good for only six months

The final appraised value of all disposable property should consider the obsolescence, market demand, physical condition and result of previous bidding for similar property.

#### **General Procedures for Disposal**

1. The Accountable Person shall return the unserviceable supplies/property to the Property/Supply Officer/Designated Property Custodian.
2. The Property/Supply Officer/Designated Property Custodian shall file an application for disposal together with the appropriate documents to the Auditor.
3. The Auditor shall inspect the items and determine their value and give his/her written recommendation to the Head of Office.
4. The Property/Supply Officer/Designated Property Custodian shall forward the documents to the Disposal Committee.

5. The Disposal Committee shall recommend to the Head of Office and to the BAC on Disposal the mode of disposal as appropriate and deemed most advantageous to the government.

#### **Composition of BAC on Disposal**

- a. Chairman, who is at least a third ranking permanent official of the office;
  - b. An officer, who is at least a fifth ranking permanent official, with knowledge, experience and/or expertise in disposal who, to the extent possible, represents the legal or administrative area of the office, provided that in the case of bureaus, regional offices and sub-regional/district offices, BAC members shall be at least a third ranking permanent personnel;
  - c. An officer who has technical expertise relevant to the disposal items at hand, and, to the extent possible, has knowledge, experience and/or expertise in disposal; and
  - d. A representative from the end-users unit who has knowledge of COA rules and regulations.
6. The unserviceable property may be sold at public auction to the highest bidder under the supervision of the BAC on Disposal.
  7. The awardee shall pay, claim and withdraw the property upon the determination of the winning bidder. The bid bond shall be considered as partial payment and the difference between such payment and the offered bid price shall be paid in the form of

cash or cashier's/manager's check of a reputable bank. Full payment shall be made within 5 working days from the date of the notice of award.

In addition to the purchase price, taxes, custom duties or charges in connection with the sale shall be borne by the awardee.

7.1 Claims shall be made only by the awardee after the bid price is fully paid as evidenced by an official receipt.

7.2 The Property/Supply Officer/Designated Property Custodian of the owning agency shall accomplish a tally sheet as evidence of actual delivery. Authorized agency official and the buyer acknowledging receipt of the items shall sign the tally-out sheet.

7.3 Claims shall be made only during official government working hours.

7.4 Claims shall be made within the period as scheduled by the Disposal Committee but not more than 30 days after awarding. Failure on the part of the awardee to claim the property within the stipulated period shall have effect on the cancellation of the award/contract. The awardee shall then be charged storage fees and other incidental fees/costs or damages, i.e., cost incurred in the conduct of another public bidding or negotiation. If the property remains unclaimed over a prolonged period of time, ownership of the contracted/awarded property shall automatically revert to the

government. The government shall then have the right to dispose the property to whatever mode of disposal deemed most advantageous to the government.

8. Accomplish the pertinent portions of the Inventory & Inspection Report, Report of Waste Materials or Invoice-Receipt for Property upon disposal of the property. These reports shall be the bases of dropping the property from the books of accounts and for taking up the proceeds from the sale of property.

#### **Membership of Disposal Committee**

EO No. 309 and 888 reconstituted the membership of the Committee on Disposal:

Chairman - - - A senior official with function not lower than the level of an Assistant Secretary for a department and Assistant Director for a bureau/agency or Department Head for a GOCC

Member - - - Head of Administrative Unit

Member - - - Head of the Property Unit

A secretariat and technical staff manned by the regular personnel of the office concerned shall be formed to handle all the committee's technical and administrative matters as well as the safekeeping and systematic filing of disposal committee documents and records.

#### **MODES OF DISPOSAL**

1. **Condemnation/Destruction of Property.** The condemnation or destruction of property shall be done through pounding, breaking, shredding, throwing or any other method by which the property is disposed beyond economic recovery. Destruction shall be made in the presence of the Disposal Committee.

Destruction or condemnation shall be resorted to only under any of the following instances:

- when the unserviceable property has no commercial value;
- cannot be sold (no buyers);
- is hazardous, or is beyond economic repair;
- when there is no willing receiver; or;
- when the appraised value is less than the administrative cost of sale.

2. **Transfer of Property.** The government property can be transferred to any government office or agency with or without cost upon the request of the owning agency or office. The cost herein refers to the payment based on the appraised value of the property. Upon the initiative of the owning agency or upon submission of request to the owning agency, property recommended for disposal may be transferred to another government agency/entity.

3. **Donation of Property.** Government property may be donated to charitable, scientific, educational or cultural institutions

without cost subject to existing government rules and regulations on disposal.

4. **Sale of Unserviceable Property.** The sale of unserviceable property can be done through a Public Bidding (PB) subject to existing government rules and regulations on disposal. The PB can be done through sealed public bidding when circumstances warrant by *viva voce* or through Negotiated Sale as a result/consequence of failed bidding.

#### **Awarding of Bids**

- to the highest complying bidder.
- When two (2) or more bidders made identical offers, public auction *viva voce* between those who made identical bids shall be resorted to at a price not less than the offered bids.
- Awarding of bids should be done immediately after the opening bids if practicable.

#### **Property/Assets Subject to Disposal**

The following are subject to disposal: Unserviceable property and Valueless Records/documents.

- **Unserviceable Property**

Pursuant to Sec. 79 of PD 1445 "When government property has become unserviceable for any cause or is no

longer needed, it shall upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative. If found to be valueless or unserviceable, it may be destroyed or it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body. In the event that public auction fails, the property may be sold at a private sale at such prices as may be fixed by the same committee or body concerned.

#### **Determining Factors**

- Property which can no longer be repaired or reconditioned;
- Property whose maintenance costs of repair is beyond the benefits and services that will be derived from its continued use;
- Unnecessary serviceable property that has been rendered due to the of change in the agency's functioned or mandate;
- Unused supplies, materials and spare parts that were procured in excess of requirements; and
- Unused supplies and materials that are dangerous to use because of long storage or the use of it is determined to be hazardous/dangerous.

#### ***Pertinent Documents***

The accountable officials shall submit to the Disposal Committee through their respective heads of offices the following accomplished forms:

- *Inventory and Inspection Report of Unserviceable Property* for semi-expandable materials and equipment and non expandable supplies, accompanied by any of the following:
  1. Individual survey report duly certified by the Supply Officer/Property Custodian and Head of Office.
  2. List of missing spare parts duly certified by the Supply Officer/Property Custodian and Head of Office.
  3. Stencils of chassis and engine numbers of motor vehicles and
  4. Current photographs in two positions.
  5. *Waste Materials Report* for expandable and consumable, materials and supplies including spare parts, empty containers, and remnants from destroyed or damaged fixed assets.
- Valueless Records/Documents

## **V. Relief from Accountability in case of Loss of Government Property**

*Relief from Property Accountability*

It is the function of the Commission on Audit (COA) to credit losses of property or act on application for relief of accountability. Loss of property may be credited when the loss occurs while the property is in transit or is caused by fire, theft and other casualty or force majeure.

*Procedures and Requirements for Relief from Accountability*

The accountable officer shall:

1. notify immediately the property officer/custodian and auditor about the loss of property;
2. submit within thirty (30) days an application for relief including the following documents;
  - 2.1 Affidavit executed by the accountable officer stating the following facts;
    - property loss and its valuation;
    - Actual date in which the absence was first noted;
    - Manner of loss
    - Efforts put forth to recover the same;
    - Provisions made to safeguard the property; and
    - Date when the loss was reported to the auditor and the police authorities
  - 2.2 Joint affidavit of two (2) disinterested persons attesting to the facts and circumstances about the loss. In case it is not possible to obtain the statement of two disinterested persons and only one is available or none at all, such fact

should be set forth in the affidavit of the person requesting relief, giving the reasons therefore;

- 2.3 Final Police report showing the actions undertaken to recover the property loss including actions to apprehend the suspect(s) and the present status of the case;
- 2.4 Comments and recommendation of the head of office;
- 2.5 Comments and recommendations of the auditor.
- 2.6 Certification from Police/Fire Chief/Provincial Governor/Mayor or other competent authority when destruction was brought by natural calamity and/or insurgency;
- 2.7 Inspection Report on the extent of damage on the insured property;
- 2.8 Evidence on the immediate issuance of the notice of loss of accountable forms as required under COA Circular No. 84-233 dated August 24, 1984; and
- 2.9 Copy of acknowledgement receipt of equipment or property lost;

*Granting or Denying the Request for Relief*

Request for relief from the property accountability may be granted or denied based on the evidences presented.

*Power to Grant Relief from Accountability*

The application for relief shall be determined based on the supporting documents and evidences submitted to the authorized

personnel. Therefore, the Accountable Officer shall immediately notify the auditor concerned within 30 days whenever there is loss of government supplies, materials or equipment while in transit or the loss is caused by fire, theft and other casualty or force majeure. Any officer who fails to comply with the requirement shall not be relieved or allowed credit for any settlement of his accounts (Sec 73, PD 1445).

## **VI. Bonding of Accountable Officer**

The accountable official shall accomplish General Form No. 57 (A) and request for application of fidelity bond to the Bureau of Treasury (BTr) duly signed by the head of the office.

A bond is an undertaking that is sufficiently secured. A bondable officer is one whose duties permit or require the custody of funds or property for which he is accountable. An officer whose fidelity is insured in the Fidelity Fund shall, from the moment he assumes office, be considered bonded to the government to the benefit of whom it may concern for the faithful performance of all duties imposed by law upon him and for the faithful accounting for all funds and public property coming into his possession, custody or control by appropriation, collection, transfer or otherwise, as well as for the lawful payment, disbursement and expenditures or transfer of all such funds or public property in his custody or possession under his control as accountable or responsible.

### **Guidelines for Bonding**

- Each accountable officer with a cash bond beyond P2,000.00 shall be insured with the BTr - Fidelity Bond Division (FBD), while those accountable officer with a cash bond of less than P2,000.00 shall be insured in the Fidelity Bond of the COA or its authorized agency representative. The amount of the bond shall depend on the total accountability (cash and cash items) of the officer as fixed by the head of the agency.

*Bond Requirements*

- ❖ Appointment or designation as accountable officer
- ❖ Written character references by at least three officials within the office, one of whom is the Administrative Officer or Legal Officer, other than the official who appointed/designated him/her
- ❖ Statement of Assets and Liabilities as of the end of the preceding year
- ❖ Certification of No Pending Administrative and Criminal Case

The foregoing documents shall be submitted, together with the Application for Bond to the FBD of the BTr:

- When the accountability is increased, the COA shall ensure that the additional bond is applied for.
- When the accountable officer ceases to be one, the FBD shall be immediately informed of such cessation.

### **Bondable Risks**

- When an official, employee, or applicant is not qualified for bonding in the judgment of the Regional Director (RD) of the BTr, it shall be reported to the respective head of office, who shall cause the removal or relief of the official or employee of such duties. The decision of the RD may be appealed to the Treasurer of the Philippines whose decision shall be final.
- Officials having direct or general supervision over accountable officials shall take steps to safeguard the interest of the government.
- Upon discovery of a shortage or total loss, proper steps shall be taken to proceed against the accountable official or employee and his/her property, real, or personal on which attachment and execution shall be levied as provided for by law.
- The office, which uncovers malversation or shortage, shall notify promptly the BTr Fiscal Examiner IV and be advised on the status of the case.

### **Procedures for Bonding**

1. Report the appointment or legal accession of a person to a bondable position to the BTr FE IV of the Province or Region where the appointee is assigned.

2. Accomplish four (4) copies of the General Form No. 57 (A) to be used in the notification and request for application of fidelity bond, increase, reduction, cancel, or transfer of a bond.
3. Accomplish four (4) copies of the General Form No. 58 (A) which shall be subscribed and sworn to before any officer duly authorized by law.
4. The duly accomplished General Form 58 (A) with three (3) photographs in 3 x 4 shall be endorsed by the Head of Office concerned to BTr FE IV in the Province or Region together with the request of bonding and General Form No. 57 (A) for approval.
5. All applications for bonding shall be accompanied by the required documents.

#### *Bond Cancellation*

Accountable Official/Employee who is no longer accountable by reason of retirement, separation from the service, promotion, transfer to another office or agency, suspension from office, or for any other cause, shall submit immediately a request for bond cancellation using General Form No. 57 (A), items 14 – 18 only to the BTr FE IV in the province or region of said accountable official/employee.

#### *Amount of Bond*

- The BTr FE IV in the province and/or district in the National Capital Region (NCR) shall fix and approve the bond in their

respective jurisdiction in accordance with the schedule marked as Annex A.

- An official/employee who has both money and property accountabilities shall be bonded only once to cover both accountabilities but the amount of the bond shall be in accordance with the schedule. However, the amount of bond shall not exceed Five Million Pesos (P 5,000,000.00) as stipulated in Treasury Order # 1-99 dated Jan. 01,1999.

### **Bond Premium**

- Effective January 1, 1996, all applications for bonding shall be issued immediately a bill by the BTr FE IV for the payment of the bond premium.
- The premium of a fidelity bond shall be 1.5% of the amount of bond but not less than One Hundred Fifty Pesos (P 150.00).
- The premium shall be paid for one full year (equivalent to 12 months).
- Cancellation of a bond during its validity shall not make the premium refundable to the Office.
- Bond premium shall be deposited by applicant office to the AGDB. The deposit slip shall be accompanied by a list of bondable officials/employees accomplished in accordance with the form herein prescribed marked as Annex B.

- The bond application shall be processed only upon the presentation of the proof of validated premium deposit slip and list of bondable officials/employees to the FE IV of the province or NCR district where the bond applicant is assigned.
- Approved fidelity bonds are valid for one (1) year. The bonds shall be renewed by the office by submitting to the BTr a list of bonded officials and employees together with the following documents:
  - Copy of the latest BTr transmittal letter approving original/renewed application;
  - Latest copy of Statement of Assets and Liabilities; and
  - Office certification that the applicant has no pending administrative and/or criminal case;
- Payment of premium, which is centralized in the agency's head office, shall be reported/declared to the BTr FE IV of the province or NCR district where the bonded official/employee is assigned.
- A bond is personal and therefore not transferable.
- The increase in the amount of accountability may increase the amount of bond. Therefore, the appropriate application forms shall be filed.
- Overpayment of bond premium shall be credited to subsequent premium payment due.

## **The Fidelity Fund**

- All bond premium collected by the BTr shall constitute the Fidelity Fund.
- The Fidelity Fund shall answer the defalcations, shortages and unrelieved accountability after all possible means of recovery of the amount from the accountable official/employee have been exhausted or his/her insolvency declared by a competent court.
- The Fidelity Fund shall be available for the payment of court fees incident to civil proceedings in the recovery of the sum lost.
- The Fidelity Fund shall not be used in the following instances:
  - ◆ to replace fines imposed on a bonded official/employee as a result of criminal conviction for violation of the Revised Penal Code or any law;
  - ◆ to answer for a liability of a bonded official/employee convicted of *Estafa* through falsification of public documents in the capacity as a private individual; and
  - ◆ to refund the accountability of a bonded official/employee found short in his accountability but is not removed or relieved from his/her duties.

## **Adjudication of claim against the Fidelity Fund**

- Any claim against the Fidelity Fund together with all pieces of evidence relating thereto shall be filed to the Bureau of

Treasury. The latter shall recommend appropriate action to the Treasurer of the Philippines. Approval of claim shall constitute a legal claim against the Fidelity Fund.

- Only approved claims shall be paid from the Fidelity Fund.

### **Sanction**

Failure to comply with the requirements and provisions of Treasury Order No. 1-95 shall subject the responsible official/employee to criminal and/or administrative action.

## **CHAPTER IV**

### **FUNCTIONAL RELATIONSHIP**

This chapter provides information about the functional relationship in the different levels of the basic educational system. It focuses on the procurement process which includes preliminary activities like data gathering and preparation of allocation. The procurement process shows the delineation of functions at various stages in procuring goods, services, infrastructure and equipment. Likewise, the process of delivery, inspection, acceptance and payment is described in this chapter.

### **DATA GATHERING**

Basically, the gathering of necessary data shall start at the school level and submit them at the Division Office (DO) for consolidation. In like manner, the consolidated data shall be submitted to the Regional Office (RO) for consolidation and submit the same to the Central Office (CO).

All data submitted at the CO shall be given to the concerned offices like the Instructional Materials Council Secretariat (IMCS) for textbooks, Physical Facilities Schools Engineering Division – Office of the Planning Service for school furniture, etc.... The concerned office shall take-charge for the preparation of allocation.

## **PROCUREMENT**

### **1. Textbook**

It is the responsibility of the IMCS to prepare the allocation and submit it to the DepEd-Procurement Service through the Bids and Awards Committee (BAC) for bidding. After the award and notice to proceed has been made to the winning bidder, the IMCS shall take over for implementation.

### **2. School Furniture**

2.1 The Central Office is responsible for the procurement of the ten (10) percent unallocated portion of the school furniture. The PFSED shall prepare and submit the data to the DepEd-PS through the Bids and Awards Committee (BAC) for bidding. After the award and notice to proceed has been made, the PFSED shall implement the contract accordingly.

2.2 In the case of regional led of fifteen (15) percent, the Regional Office through the Physical Facilities Coordinator shall prepare and submit the data to the Regional Bids and

Awards Committee (RBAC) for bidding. After the award and notice to proceed has been made, the RO-PFC shall implement the contract.

2.3 In the case of the division led of seventy-five (75) percent, the Division Office through the Physical Facilities Coordinator (DO-PFC) Committee (DBAC) for bidding. After the awards and notice to proceed has been made to the winning bidder, the DO-PFC shall implement the contract accordingly.

### **3. School Building**

In the case of school building, the same process is observed for a Central Office – led and RO – led procurement. However, for Principal – led which is 5M and below, the DO-PFC shall prepare and submit the necessary documents to the Principal – led BAC for bidding. After the award and notice to proceed has been made, the DO-PFC shall implement the contract.

### **EQUIPMENT/COMMON-USE SUPPLIES**

At the Central Office, the end-users shall submit an Annual Procurement Plan (APP) for common-use supplies to the Procurement Service to consolidate submit it to the Property Division. The Property Division shall prepare the Agency Procurement Request (APR) every quarter and, request the funding and deliver the checks to the DBM-PS. In

return, the DBM-PS will deliver the items to the Property Division for acceptance and issuance to the end-users.

At the Regional and Division Offices, the end-users shall submit the requirements to the Supply Unit for preparation of APR.

## **DELIVERY**

### **Textbooks**

The deliveries of textbooks from the IMCS as a result of bidding at the Central Office shall be on a door-to-door basis to the elementary and high schools as the case may be. However, there are some cases that procured textbooks through other projects shall be delivered to either the Regional or Division Offices. Likewise, textbooks procured at the Regional and Division Offices through their Local School Board shall be delivered directly to the recipient schools.

### **School Furniture**

The school furniture procured under the 10% unallocated portion shall be delivered directly to the recipient schools. Likewise, procurement under the 15% and the 75% of the Regional and Division Offices respectively shall be delivered directly to the recipient schools.

### **Equipment**

All equipment procured at the Central Office intended for the Region, Division and Schools (Elementary or Secondary) shall be delivered on a door-to-door basis.

## **INSPECTION**

### **Textbooks**

The Central Office inspection team shall conduct a random inspection of textbooks at the Warehouse when necessary. The inspection team is composed of representative from the Property Division, Accounting Division and the IMCS.

### **Furniture**

The Central Office inspection team shall likewise conduct a random pre-inspection of the school furniture at the warehouse of the contractor. At the Regional Office, the Regional Technical Working Group (RTWG) conducts the pre-inspection while the Regional Inspection Committee does the post-delivery inspection.

At the Division level, the Division Bids and Awards Committee conducts the pre-inspection while the Division Office Physical Facilities Coordinator and COA Auditor conducts the post-inspection.

Inspections of school furniture acquired at the school level shall be inspected by the School Inspection Committee and the Unit Auditor.

## **Equipment**

All equipment procured at the Central Office and to be delivered to the field shall be pre-inspected by the CO-Inspectorate Team while the pre-inspection at the Regional level shall be done by the Inspection Committee and the Auditor. At the Division level, the inspection shall be the responsibility of the Division Inspection Committee and the Unit Auditor. Equipment procured at the school level shall be inspected by their respective Inspection Committee and the Auditor.

## **School Building**

School building shall be inspected by the PFSED together with the Regional, Division representatives and the school head or principal. In a Regional/Division Office led school building, the RO-PFC, DO-PFC and the school head/principal shall conduct the inspection.

## **ACCEPTANCE**

### **Textbooks**

Delivered textbooks shall be accepted by the District Property Custodian and the school head/principal in the case of the elementary schools while the Supply Officer or school head/principal shall accept the delivery in the case of high schools.

### **Equipment/Furniture/Fixture**

Deliveries on furniture/fixture under the 10% unallocated portion shall be accepted by the Designated Property Custodian or the school head/principal. Under the 15% allocation for the Regional Office, it is the Regional Supply Officer who shall accept the deliveries. In the case of the elementary and secondary schools, it is the property custodian or school head who shall accept the deliveries especially those that are acquired through the local school board.

## **PAYMENT**

### **Textbooks**

At the Central Office, the preparation of necessary documents for payment of textbooks shall be the responsibility of the IMCS. The documents shall be submitted to the Accounting Division for processing of payments. The Supply Officer at the Regional, Division Offices and school shall prepare and submit the documents to the Accounting Unit for processing of payments.

### **Furniture/Equipment including repairs**

The preparation of necessary documents at the Central Office shall be prepared by the PFSED and shall be submitted to the Accounting Division for processing of payment. At the Regional, Division and school levels, the BAC Secretariat shall prepare and submit the documents to the Accounting Unit for processing of payments.

## RECORDING/BOOKING-UP

As per DepED Order No.45, all deliveries procured by Central Office or from DBM-Procurement Service must be reported within five (5) days from receipt of the delivery from recipient school to Division Office then to the Regional Office up to Central – Property Division for reconciliation with the CO-Accounting Division.

*The illustration shows the process of delivery, inspection, acceptance and recording/booking-up of equipment, furniture and textbooks.*

