

Republika ng Pilipinas
PAMBANSANG PANGASIWAAN NG PATUBIG
(National Irrigation Administration)
Lungsod ng Quezon

MC # 61, S. 1978

MEMORANDUM CIRCULAR

T O : THE ASSISTANT ADMINISTRATORS; HEADS OF DEPARTMENTS
AND STAFFS; HEADS OF SPECIAL PROJECTS; REGIONAL
IRRIGATION DIRECTORS; PROVINCIAL AND PROJECT
IRRIGATION ENGINEERS; IRRIGATION SUPERINTENDENTS/
AND/OR OFFICERS-IN-CHARGE OF IRRIGATION SYSTEMS/
OFFICES; REGIONAL ACCOUNTANTS; ACCOUNTING CLERKS
AND ALL OTHERS CONCERNED
National Irrigation Administration

SUBJECT : COA Circular No. 78-84 Re: Updating and Restating
Audit Requirements for Purchase of Supplies,
Materials and Equipment

Attached is COA Circular No. 78-84 dated August 1, 1978,
Re: Updating and Restating Audit Requirements for Purchase
of Supplies, Materials and Equipment for your information,
guidance and strict compliance. Item B.1.2.3, which is pre-
viously approved by the Presidential Committee on Negotiated
Purchase (Ex. Order No.323) is now vested on the Minister of
Public Works, Transportation and Communications per letter of
clarification dated December 22, 1975 of LOI # 31 dated
December 11, 1975. The heads of field offices should see to
it that a copy of this circular is kept in each field account-
ing unit as guidance in the processing of vouchers.

(SGD.) ALFREDO L. JUINIO
Administrator

Attachments:

September 28, 1978

Republic of the Philippines
DEPARTMENT OF PUBLIC WORKS, TRANSPORTATION AND COMMUNICATION
Office of the Secretary

MEMORANDUM FOR THE PRESIDENT

DECEMBER 22, 1975

SUBJECT: CLARIFICATION OF LOI NO. 31

PURSUANT TO LETTER OF IMPLEMENTATION NO. 31
DATED DECEMBER 11, 1975, AUTHORIZING THE TRANSFER
AND ATTACHMENT OF THIRTEEN (13) SPECIFIED GOVERN-
MENT CORPORATIONS TO THE DEPARTMENT OF PUBLIC
WORKS, TRANSPORTATION AND COMMUNICATIONS, IS THE
SECRETARY OF THAT DEPARTMENT AUTHORIZED TO ACT
ON ALL MATTERS PREVIOUSLY ACTED UPON BY THE
EXECUTIVE SECRETARY BY AUTHORITY OF THE PRESIDENT?

ALFREDO L. JUINIO
Acting Secretary

YES -

(SGD.) FERDINAND E. MARCOS

December 23, 1975

MALACANANG
MANILA

LETTER OF IMPLEMENTATION NO. 31

TO: The Secretary of Public Works, Transportation and
Communications
The General Manager, MWSS
The General Manager, MTC
The Administrator, NEA
The Administrator, FSDC
The General Manager, PNR
The General Manager, PPA
The General Manager, NHA
The General Manager, LWUA
The General Manager, NPC
The Chairman, Philippine Aerospace Development
Corporation
The Administrator, MARINA
The Chairman, Power Development Council
The Chairman, Pasig River Development Council

Pursuant to Presidential decree No. 830 dated Nov. 27, 1975
the following actions are directed to be taken:

1. The following corporations are transferred from the Office of the President and attached to the Department of Public Works, Transportation and Communications; Metropolitan Waterworks and Sewerage System, National Electrification Administration, Farm Systems Development Corporation, Manila Transit Corporation, Philippine National Railways, Philippine Ports Authority, National Housing Authority, Local Water Utilities Administration, National Power Corporation, and Philippine Aerospace Development Corporation.
2. The Maritime Industry Authority and the Power Development Council are transferred from the Office of the President and attached to the Department of Public Works, Transportation and Communications.
3. The Pasig River Development Council is transferred from the Office of the President and placed under the administrative supervision of the Department of Public Works, Transportation and Communications.

Done in the City of Manila, this 11th day of December
in the year of Our Lord, nineteen hundred and seventy-five.

CERTIFIED COPY

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

ADVANCE COPY

Republika ng Pilipinas
KOMISYON SA AUDIT
(Commission on Audit)
Lungsod ng Quezon

August 1, 1978

COMMISSION ON AUDIT CIRCULAR NO. 78-84

T O : All Heads of Ministries, Bureaus and Offices of the National Government; Managing Heads of Government-owned and/or Controlled Corporations, Boards and Commissions; Chief Accountants and Corporate Treasurers; Provincial Governors, City and Municipal Mayors; Local Treasurers; All COA Regional Directors and Supervising Auditors; All Auditors of Ministries, Bureaus and Offices; Provincial and City Auditors; Corporation Auditors; and All Others Concerned.

SUBJECT : Updating and Restating Audit Requirements for Purchase of Supplies, Materials and Equipment.

I. STATEMENT OF OBJECTIVES

By constitutional mandate, the Commission on Audit shall "examine, audit, and settle, in accordance with law and regulations, all accounts pertaining to the revenues and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to the Government, or any of its subdivisions, agencies, or instrumentalities, including government-owned or controlled corporations"(Sec. 21/, Art. XII-D, Constitution). In the discharge of this duty, the resident auditor, among other things, verifies whether the fiscal transactions of the client agency conform with applicable laws and regulations. Necessarily, the auditor requires or sees that documents or papers indicative of compliance with such laws or regulations are submitted to support claims chargeable against government funds.

At present, there are numerous and scattered laws, Presidential issuances and regulations governing procurement. For lack of common guide, the officials and employees of the Government who are involved in one way or the other in the different aspects of procurement, find difficulty in acting intelligently and expeditiously on the transaction.

In order to expedite audit action, achieve uniformity and objectivity in the processing of claims, and clarify or harmonize confusing and conflicting laws, rules and regulations governing procurement, the audit requirements therefor are hereby integrated, updated and collated, against the government are enumerated in this Circular.

II. BASIC REQUIREMENTS APPLICABLE TO ALL CLASSES OF DISBURSEMENT

1. Existence of a lawful and sufficient appropriation certified as available by the proper officer;
2. Legality of transaction and conformity with rules and regulations;
3. Approval of the expense by the head of the agency, local subdivision or government corporation or authorized representative; and
4. Submission of proper evidence to establish the claim.

III. SCOPE OF COVERAGE

Since procurement is the most common and most repetitive type of transaction in all agencies and red tape and variances in audit requirements are more often encountered in this particular kind of disbursement, this circular is issued for guidance in the audit of purchases of supplies, materials and equipment. Pending issuance of similar circulars on the matter, audit requirements for other claims, such as those for repair and maintenance of government property and other facilities, rentals of premises used for government offices and contracts for public works and those made by government officials and employees for salaries and wages, allowances, travel expenses, and fringe benefits shall continue to be governed by the Manuals and other regulations issued by this Commission.

IV. REQUIREMENTS COMMON TO ALL PURCHASES

In the audit of payments for supplies, materials and equipment delivered, the following documents shall be required, regardless of the mode of procurement:

1. Request for purchase or requisition of supplies, materials and equipment or its equivalent, duly approved by proper authorities;
2. Stock position sheet in case any single commodity requisitioned exceeds ₱1,000.00 in value;
3. Purchase/Letter Order/Contract, duly approved by the officials concerned and accepted by the supplier (date of acceptance must be clearly indicated, especially where the time or date of delivery is dependent on or will be counted from the date of acceptance of the purchase/letter order/contract);

4. Original copy of the dealer's/supplier's invoice(a) showing the quantity, description of the articles, unit and total value, duly signed by the dealer or his representative, and (b) indicating acceptance of delivery by the proper agency official;
5. Inspection report made by the COA technical property inspector or the auditor's representative, depending upon the nature and/or purchase price of the delivered item;
6. Result of test where the item delivered is subject to test. Payment of 80% of the purchase price should be supported by evidence of sampling made by the property inspector of the articles subjected to testing in the presence of the dealer or his authorized representative or a certificate signed by the latter waiving his right to be present in the sampling, if such is the case;
7. BIR Tax Clearance and Letter of Confirmation pursuant to Administrative Order No. 66 of the Office of the President dated June 26, 1967;
8. Evidence of availability of funds, such as copies of the request for obligation of allotment and cash disbursement ceiling in the case of the National Government agencies.

V. ADDITIONAL REQUIREMENTS FOR PARTICULAR CASES

In addition, the following documents shall be submitted for each of the different modes of procurement hereunder indicated:

A. PUBLIC BIDDING

- A.1. Authority of the national government agency/government corporation;
- A.2. Advertisement in the Official Gazette or in newspapers of general circulation as required by law, resolution or regulation; in the absence of such requirement, evidence that the call or invitation for bids has been given wide publication thru other forms of advertisement, such as posting of call or invitation for bids in the bulletin boards of the requisitioning agency, circular letter to known bona-fide suppliers, etc.
- A.3. Winning bidder's offer or proposal;
- A.4. Abstract of bids showing the lowest and most responsible bidder from among the other bidders who participated in the bidding;

A.5. Notice of award; and

A.6. Performance bond.

B. Negotiated Purchase

B.1. Approval of the proper official/body pursuant to existing laws or regulations, to wit:

<u>Approving Official/Body</u>	<u>Amount Involved</u>
B.1.1. For National Government Agencies -	
B.1.1.1. Ministry Head (Ex. Order 218, s. 1970), or agency head if the guidelines for delegation has been issued (Ex. Order 284, s. 1971)	Not exceeding ₱50,000.00 in each case
B.1.1.2. Regional Director (LO Inst. No. 488, dated August 18, 1976)	Not exceeding ₱50,000.00 within a given quarter
B.1.1.3. Secretary of General Services (LO Imp. No. 47, s. 1976)	In excess of ₱50,000.00 but not more than ₱100,000
B.1.1.4. Presidential Committee for Negotiated Purchase (Ex. Order No. 323, s. 1971)	In excess of ₱100,000 but less than ₱2 million
B.1.1.5. President of the Philippines (Memo Cir. No. 1012 of the President, dated October 19, 1977)	₱2 million and above
B.1.2. For Government-Owned and Controlled Corporations -	
B.1.2.1. Governing Board (Ex. Order No. 284, s. 1971)	Not exceeding ₱100,000
B.1.2.2. Secretary of General Services (LO Imp. No. 47, s. 1976)	In excess of ₱100,000.00 but not more than ₱200,000.00
B.1.2.3. Presidential Committee on Negotiated Purchase (Ex. Order No. 323)	In excess of ₱200,000.00 but less than ₱2 million

B.1.2.4. President of the Philippines P2 million and
(Memo. Cir. No. 1012 of the above
President, dated Oct. 19,
1977)

B.1.3. For Local Governments(Personal Canvass)-

B.1.3.1. Committee on Award Not exceeding
(Sec. 13, P.D. 526) amounts specified
in Section 13,
P.D. 526

B.1.3.2. President of the Philippines Amounts in excess
of limitations in
Section 13, PD
No. 526

B.2. Canvass of licensed responsible suppliers of the needed item,
except when it has been reliably established that (a) the
supplier is the sole exclusive distributor or manufacturer of
said supplies; (b) there is no suitable substitute in the market
at more advantageous terms to the government, and (c) no sub-
dealers are offering lower prices in which case a Certificate to
that effect shall be required.

C. Emergency Purchase

C.1. When to Make an emergency purchase -

C.1.1. For National Government Agencies and Government-
Owned and Controlled Corporations -

C.1.1.1. Whenever the supplies, materials and equipment
are exceptionally urgent or absolutely indis-
pensable to prevent immediate danger to, or
loss of, life and/or property.

C.1.1.2. Whenever the supplies are to be used in con-
nection with the project or activity which
cannot be delayed without causing detriment
to the public service. (Ex. Order 302, s. 1940)

C.1.2. For Local Governments -

C.1.2.1. Whenever the supplies, materials and equipment
are exceptionally urgent or absolutely indis-
pensable to prevent immediate danger to, or
loss of life. (PD N. 526, as implemented by
DF-DGS Joint Dept. Order 1-75)

C.2. The following are the documents needed in support of emergency
purchase:

C.2.1. Certificate by the head of the agency or his duly
authorized representative that the price paid or
contracted for is reasonable and that it was the
lowest obtainable at the time of purchase or order;

- C.2.2. Certificate by the head of the agency or his duly authorized representative as to the necessity and justification for the emergency purchase.

NOTE: The amount involved should not exceed the limitations for emergency purchase provided for in the corresponding Annual General Appropriations Act, board resolutions or regulations. Likewise, except for local governments, emergency purchases amounting to P2 million or above in each case shall be subject to the approval of the President (Memo Cir. No. 1012, dated October 19, 1977; LOI No. 620, dated October 25, 1977).

D. Direct Order and Payment System (DOPS)

- D.1. DOPS contract or authenticated copy thereof, for the period covering the transaction under audit; and
- D.2. Evidence (e.g. canvass of prices) or certificate of the agency head that the price involved is the lowest obtainable in the open market at the time of purchase.

E. Thru the Bureau of Supply Coordination

E.1. At the requisitioning agency -

- E.1.1. Funded Requisition for Equipment or Supplies, B.S. Form No. 1, duly accomplished

E.2. At the Bureau of Supply Coordination -

- E.2.1. All documents required in paragraph IV (Requirements common to all purchases)

F. Other Modes of Procurement

- F.1. All documents required in paragraph IV (Requirements common to all purchases)
- F.2. Other documents prescribed by the law, resolution of regulation authorizing the purchase or as may be required in the National Accounting and Auditing Manual for each particular type of transaction.

VI. OTHER PROVISIONS/REQUIREMENTS

1. Payment for supplies, materials and equipment not yet delivered (advance payment) shall be approved by the following:

<u>Approving Official</u>	<u>Amount</u>
1.1. For National Government Agency -	P50,000.00 or less
1.1.1. Ministry Head, Agency Head or Regional Director	
1.1.2. Secretary of General Services	In excess of P50,000 but not more than P100,000.00
1.1.3. President of the Philippines	In excess of P200,000
1.2. For Government Corporations -	
1.2.1. Governing Boards	P100,000.00 or less
1.2.2. Secretary of General Services	In excess of P100,000 but not more than P200,000.00
1.2.3. President of the Philippines	In excess of P200,000
1.3 For Local Governments -	
1.3.1. President of the Philippines, upon recommendation of the Minister of Finance and Commission on Audit	Irrespective of amount
2. Purchase of supplies, materials and equipment shall be made from the CIDE Production Units and the registered producers of NACIDA, thru the CIDE and/or NACIDA, in which case payment shall be made in favor of the National Cottage Industries Development Authority or the Cottage Industries Development Enterprises as the case may be (LO Inst. No. 83, dated May 29, 1973). If the item is not available from these suppliers a certification to this effect shall be secured from the NACIDA or CIDE and the purchase shall be thru any of the modes of procurement mentioned above.	
3. All supply requirements of the Government shall be procured directly from reputable manufacturers or their duly registered licensed distributors to the exclusion of the middlemen (Directive of the President of the Philippines to the members of the Cabinet, dated April 22, 1971; P.D. No. 526 and its implementing regulations).	

4. Purchase of transport and construction equipment, books, drugs and medicines, and other items as may be specified from time to time, shall be subject to the personal approval of the President of the Philippines (Letter of Implementation No. 29, dated December 5, 1975, as reiterated in Letter of Instruction No. 565, dated June 30, 1977);
5. Purchase of drugs and medicines for hospital and medical clinics shall be supported by certification from the Chairman of the Price Control Council attesting to the reasonableness of the prices thereof (Letter of Instruction No. 213, dated September 5, 1974);
6. For purchases of the local governments, the other requirements prescribed under Presidential Decrees Nos. 477 and 526 and their implementing regulations shall also be complied with;
7. Purchases made by the Armed Forces of the Philippines shall likewise be governed by Presidential issuances and other regulations issued by the Secretary of National Defense or the Chief of Staff, Armed Forces of the Philippines, which are applicable in particular to the AFP;
8. Purchases of motor vehicles for national government agencies, including government-owned and controlled corporations and state colleges shall observe the national standard specification provided in Letter of Instruction No. 667, dated February 2, 1978;
9. Procurement of petroleum products shall be made from the PETROPHIL CORPORATION, whenever these commodities are adequately available and whenever practicable at prices not exceeding those set by the Oil Industry Commission (Department Order No. 19, dated May 1, 1974);
10. The government shall patronize and procure from duly accredited local manufacturers or producers for government supply requirements (Letter of Instructions No. 501, dated January 28, 1977 and its implementing guidelines, Department Administrative Order No. 2, series of 1977, of the Ministry of Trade,;
11. Preference shall be given for supplies, material and equipment produced, and made or manufactured in the Philippines and to domestic entities, in accordance with the provisions of Commonwealth Act No. 138, otherwise known as the Flag Law;
12. The governing boards of profit-making government-owned and controlled corporations may adopt their own policies and approval mechanism relative to, among other things equipment purchases (other than transport equipment), provided

that the cost of implementing such policies will not call for government equity inputs or borrowings guaranteed by the government (LOI 565, dated June 30, 1977);

13. All rice requirements of the Government, including local governments and government-owned and controlled corporations shall be supplied by the National Grains Authority and other authorized rice dealers pursuant to Executive Order No. 151, series of 1968;
14. Kilusang Bayan (cooperative transacting business with the Government including local governments and government-owned and controlled corporations, shall be exempt from bidding requirements provided the contract is approved by the Bureau of Cooperatives (LOI No. 23, dated July 9, 1973);
15. Splitting of requisitions, purchases/letter orders, vouchers and others is strictly prohibited pursuant to COA Circular No. 76-41, dated July 30, 1976;
16. A copy of the purchase/letter order or contract together with each of all the documents forming part thereof by reference or incorporation, shall be furnished the unit or agency auditor within five (5) days from execution thereof in accordance with the procedures prescribed in COA Circular No. 76-34, dated July 15, 1976;
17. All claims of suppliers for payment of sand, gravel, boulders crushed rocks and filling materials shall be subject to the withholding of 7% sales tax except when the suppliers support their claims with invoices or receipts issued by bonafide producers (COA Circular 78-80, dated May 2, 1978, citing Rep. Act No. 1051 and Revenue Regulation No. 21-67, dated May 2, 1977).

VII. REQUISITES OF PURCHASE/LETTER ORDER/CONTRACT

The following shall clearly appear in every contract or order for furnishing the supply requirements of the Government, aside from the other requirements prescribed by existing laws and regulations:

1. Office to which the account shall be charged and the requisition number;
2. Name and address of the contractor/supplier;
3. Office from which payment shall be collected;

4. Complete descriptions and specifications of the supplies and all other information and data needed to enable the supplier, agency officials, COA property inspectors and others concerned to determine the nature and quality of the items purchased;
5. Quantity and unit price of the supplies;
6. Period of delivery;
7. Shipping terms and directions and other conditions of delivery;
8. Provisions on penalties for late or no deliveries;
9. Conditions regarding importation, if any; and
10. Date of effectivity and termination of the contract.

In addition, all pertinent provisions of existing supply rules and regulations and standard specifications in force, including tolerance, shall be deemed an integral part of the contract or order.

For the protection of the Government, Heads of the agencies, subdivisions, or instrumentalities shall invariably incorporate a penalty clause or provision for liquidated damage in case of late delivery in an amount equivalent to not less than (minimum) one thenth of one (1) percent of the total value of the contract, or if the contract has been partially filled within the stipulated time, the total value of the undelivered purchase thereof. Likewise, a provision on the liability of the supplier or contractor in case of failure to deliver the items called for shall be included in the order or contract.

VIII. FORM TO BE USED IN CLAIMS FOR PAYMENT

1. Claim for payment of purchase of supplies, materials and equipment shall be made on the general voucher, General Form No. 5-A. The general voucher shall be properly prepared/accomplished in the required number of copies. It shall bear the signature of the officials concerned or their duly authorized representatives.
2. Other forms of voucher designed by the agency/subdivision/government corporation shall first be submitted to the Commission on Audit before the same can be used for the purpose.

IX. REASONABLENESS OF PURCHASE PRICE

Compliance with requirements set forth in this Circular shall not in any way preclude the Commission on Audit or its representative in the audited agency to determine the reasonableness of the commodity price agreed upon in the contract or order, pursuant to the constitutional provisions that the Commission on Audit shall have the power and function, among other things, to promulgate accounting and auditing rules and regulations, including those for the prevention of irregular, unnecessary, excessive or extravagant expenditures or that the cost of implementing

or uses of funds and property (Section 2 (1), Art. XII-D, Constitution). The COA or its representative shall make such determination in the most expeditious way, such as in, but not limited to, the following manners:

1. Canvass of prices;
2. Price list issued by manufacturers/suppliers;
3. Price list issued by government agencies, e.g. NACIDA-CIDE, Bureau of Supply Coordination, Price Control Council, etc.;
4. DOPS contracts;
5. Price list or bulletin issued by COA Price Monitoring Division; and
6. Consular invoices and foreign supplier's invoices in the case of direct importations or purchase of imported goods from local suppliers.

X. REPEALING CLAUSE

All circulars, memoranda and regulations, or parts thereof, issued by this Commission, which are inconsistent with the provisions of this Circular, are hereby superseded or amended.

XI. EFFECTIVITY DATE

This Circular shall take effect immediately.

(SGD.) FRANCISCO S. TANTUICO, JR.
Acting Chairman