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Republic of the Philippines
NATIONAL IRRIGATION ADMINISTRATION
(PAMBANSANG PANGASIWAAN NG PATUBIG)
Quezon City

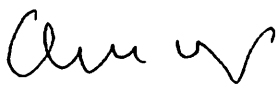
MC No. 44, s. 1997

TO : THE DEPUTY ADMINISTRATOR, ASSISTANT ADMINISTRATOR
HEADS OF DEPARTMENTS/STAFFS, REGIONAL IRRIGATION
MANAGERS, OPERATION/PROJECT MANAGERS, HEADS OF
FOREIGN-ASSISTED PROJECTS, PROVINCIAL IRRIGATION
OFFICES, IRRIGATION SUPERINTENDENTS AND ALL
OTHERS CONCERNED

SUBJECT : COMMISSION ON AUDIT CIRCULAR NO. 97-004
DATED JULY 1, 1997

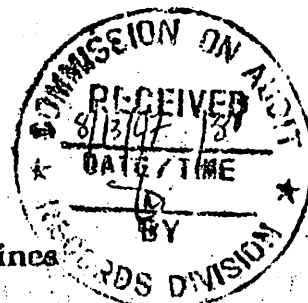
For your information and guidance, attached is a copy
of COA Circular No. 97-004 dated July 1, 1997 on the subject
"Updating and Restating Audit Requirements of Procurement of
Supplies, Materials and Equipment by the National Government
including Government-Owned and/or Controlled Corporations
(GOCCs)."

Compliance is enjoined.


ORLANDO V. SORIANO
Administrator *q*

November 17, 1997

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines



JUL 01 1997

COA CIRCULAR No. 97-004

TO : All Heads of Departments, Bureaus and Offices of the National Government; Managing Heads of Government-Owned and/or Controlled Corporations, Boards and Commissions; Chief Accountants and Corporate Treasurers; All COA Directors, Auditors, and Others Concerned.

SUBJECT: Updating and Restating Audit Requirements for Procurement of Supplies, Materials and Equipment by the National Government including Government-Owned or Controlled Corporations (GOCCs).

I. STATEMENT OF POLICY

Pursuant to the Commission's Constitutional mandate to recommend measures necessary to improve the effectiveness and efficiency of government operations, supportive of the national development goals and strategies to improve the quality of life of every Filipino, and consonant with the role as partner in nation building, the Commission continues to respond positively to enactments of government by way of updating its issuances.

II. STATEMENT OF OBJECTIVES

1.0 This Circular is being issued to:

- 1.1 Update and restate the audit requirements for the procurement of supplies, materials and equipment by the National Government, including Government-Owned or Controlled Corporations (GOCCs); and
- 1.2 Specify the documents/papers to be submitted in support of claims for payment in the procurement of supplies, materials and equipment supplied to the National Government including Government-Owned or Controlled Corporations (GOCCs).

COVERAGE AND EXCEPTIONS

1.0 This Circular shall cover the following:

- 1.1 The requirements in the audit of procurement of supplies, materials and equipment; and
- 1.2 The acquisition/procurement of supplies/materials for either project, regular operations and maintenance activities/requirements as well as mixed civil works-procurement agreements where the nature of the project requirements is essentially that of procurement rather than civil works of any agency or subdivision of the National Government, including Government-Owned or Controlled Corporations (GOCCS).

2.0 Exception

- 2.1 Janitorial and security services or repairs and maintenance services shall continue to be governed by the pertinent manuals and other regulations issued by the Commission.

IV BASIC REQUIREMENTS APPLICABLE TO ALL CLASSES OF DISBURSEMENTS

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

V REQUIREMENTS COMMON TO ALL PURCHASES

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

1. Request for purchase or requisition of supplies, materials and equipment or its equivalent, duly approved by proper authorities;
2. Purchase/Letter Order/Contract, duly approved by officials concerned and accepted by the supplier (date of acceptance must be clearly indicated, especially when the time or date of delivery is dependent on or will be counted from the date of acceptance of the purchase/letter order/contract);
3. 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 receipt by the proper agency official of items delivered;

4. Inspection and Acceptance Report prepared by the Department/ Agency property inspector and signed by the Head of Agency or his authorized representative.
5. Evidence of availability of funds, and/or copy of the request for obligation of allotment of the National Government agencies;

VI. ADDITIONAL REQUIREMENTS FOR PARTICULAR CASES

Except for public bidding, the Head of Agency or his duly authorized representative may, in the interest of economy, efficiency and effectiveness, approve the use of any of the alternative modes of procurement. In addition to the basic and common requirements, the following shall be submitted:

A. Public Bidding

A.1 Invitations to Prequalify and to Bid.

The invitation to prequalify and to bid should have been publicly advertised for at least three (3) times within at least two (2) consecutive weeks in at least two (2) newspapers of general circulation regularly published for at least two (2) years prior to the date of issuance of such invitations. At the same time, copies thereof shall be posted at any conspicuous and accessible place in the office of the agency concerned.

A.2 Copy of advertisement;

A.3 Winning bidder's offer or proposal;

A.4 Abstract of bids showing the most responsive and complying bidder from among the other bidders who participated in the bidding;

- A.5 Notice of Award; and
- A.6 Performance bond;

B. Limited Source Bidding (Selective Bidding)

- B.1 Copy of direct invitation to bid by the concerned agency from a set of pre-selected manufacturers/suppliers/distributors certified by PBAC to have the required experience and proven capability on the requirements of the particular contract.
- B.2 Winning bidder's offer or proposal;
- B.3 Abstract of bids showing the most responsive and complying bidder from among the other bidders who participated in the bidding;
- B.4 Notice of award; and
- B.5 Performance bond.

Limited source bidding or selective bidding may be employed by concerned agencies under any of the following conditions:

- a. Procurement of highly specialized types of equipment where only few manufacturers/suppliers/distributor are available who could maintain a competitive position, such that resorting to the open competitive bidding method will not likely result in any additional manufacturer/ supplier/distributor participating in the bidding;
- b. Procurement of relatively small additions to an existing fleet of equipment where a few manufacturers/suppliers/distributors are well established and who provide satisfactory after-sales services;

- c. Procurement of major plant components where it is deemed advantageous to limit the bidding to known qualified bidders in order to maintain uniform quality and performance of the plant as a whole; and
- d. Procurement of goods involving relatively small amounts, i.e., amounts involving P500,000 or less, such that the cost and time of publicly advertising the bidding is not justifiable.

C. Direct Contracting (Single Source Procurement)

- C.1 Copy of letter to selected manufacturer/supplier/distributor to submit a price quotation or pro forma invoice together with the condition of sale.

The offer may be accepted immediately by concerned Agencies under any of the following conditions:

- a. Procurement of items of proprietary nature which can be obtained only from the proprietary source, i.e., when patents, trade secrets and copyrights prohibit others from manufacturing the same item;
- b. Those sold by an exclusive dealer or manufacturer who 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.
- c. When the procurement of critical plant components from a specialist manufacturer/supplier/distributor serves as a precondition for the erection of the project for his guarantee of project performance;

d. For purposes of maintaining standards, such as a purchase involving a small addition to an already existing fleet of equipment; and

e. In emergencies where procurement must be immediately accomplished regardless of cost. Emergencies shall be defined as those situations where there is imminent danger to life and/or property as determined by the Head of Agency concerned or his duly authorized representative.

C.2 With respect to condition "b", a Certificate of Exclusive Distributorship issued by the principal under oath and authenticated by the embassy/consulate nearest the place of the principal, in case of foreign suppliers.

C.3 Certification of the PBAC or acquisition official on condition "c" or "d" whichever is applicable.

D. Repeat Order

This provision shall apply to all repeat orders except those covered by the Government Purchases Information System (GPIS) which was approved under COA Resolution No. 97-023 dated July 1, 1997.

D.1 Copy of the original contract in support to condition "a" below:

Acquisition is made on additional quantities from the manufacturer/ supplier/distributor when provided the same items under a previously bidded contract. Repeat Orders may be resorted to by Agencies only in cases where the manufacturer/supplier/distributor who was selected in the previous bidding is clearly superior to the other bids not only in terms of the price quoted but also in terms of equipment reliability, availability of spare parts, after sales service, and

delivery period, among others. Repeat orders shall likewise be subjected to the following conditions:

- a. Prices must be the same as or lower than those in the original contract;
- b. The repeat order will not result in splitting of requisition or purchase orders;
- c. Repeat orders may be availed of only within a six-month period from date of the original purchase;
- d. The repeat order shall not exceed the quantity in the original contract; and
- e. The repeat order is made with the same supplier.

E. Bidding

3.3.1. At least three (3) bona fide and reputable manufacturers/suppliers/distributors.

Drop delivery mode of procurement shall be employed only in the following cases:

- a. procurement of readily available off-the-shelf goods or standard specifications goods that are small in value, i.e., amounts involving P500,000 or less;
- b. procurement of ordinary/regular office supplies and equipment involving an amount not exceeding P500,000. At the discretion of the Head of Agency concerned, procurement of this nature may be handled by the respective Administrative Staff/Department/Division of the Agency instead of the PBAC.

The prequalification requirements of the manufacturers/suppliers/distributors as provided for under the IRP and EO No. 302 shall be taken into account.

F. Negotiated Procurement

F.1 Certification of PBAC as to failure of competitive bidding;

F.2 Copy of terminated contract and justification for its termination;

F.3 Justification/certification by the Head of Agency or his duly authorized representative as to the necessity of purchase.

The Head of Agency may authorize negotiated procurement only in the following cases:

- a. where there has been a failure of competitive bidding for the second time as certified by the PBAC;

The government shall declare the bidding a failure and the concerned agency shall conduct a rebidding of the project when no bids are received, or when no bids are found to be substantially responsive and/or complying to the requirements of the bidding documents particularly in terms of the technical requirements/specifications of the contract. Should there occur another bidding failure, the agency concerned may enter into a negotiated procurement.

- b. where the existing contract has been terminated in accordance with the pertinent provisions of the IRP and EO 302 and other existing laws, rules and regulations;

- c. whenever the goods are to be used in connection with a project or activity which cannot be delayed without causing detriment to public service; and

4. whenever the purchase is to be made from another agency of the Government such as the Procurement Service of the Department of Budget and Management as provided for in Executive Order No. 285;

VII. OTHER PROVISIONS/REQUIREMENTS

1. Procurement made by the Armed Forces of the Philippines (AFP) under the AFP Modernization Program shall be governed by the pertinent provisions of RA 7898;
2. Preference shall be given to supplies, materials 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, as amended.

VIII. REQUIREMENTS OF PURCHASE/LETTER ORDER/CONTRACT

In addition to other requirements prescribed by existing laws and regulations, each purchase/letter order/contract furnishing the supply requirements of the government shall contain the following:

1. Purchase /Letter Order No. and Date
2. Office to which the account shall be charged and the requisition number;
3. Complete name and address of the contractor/supplier including telephone and fax number, if any;
4. Office from which payment shall be collected;
5. Complete description and detailed specifications of the supplies and all other information and data needed to enable the supplier, agency officials, agency property inspectors, and others concerned to determine the nature and quality of the items purchased;
6. Price (for individual unit price, if lot price, any document showing the detailed breakdown of the cost should likewise be submitted);

12. Quantity and unit of measure;
13. Period of delivery;
14. Shipping terms and directions and other conditions of delivery;
15. Provision on penalty and liability of suppliers/contractors in cases of late delivery or non-delivery shall be a minimum of 1/10 of one per cent (1%) for each day of delay, computed on the basis of: (a) the total value of the contract; or (b) if the contract has been partially filled within the stipulated time, the total value of the undelivered purchases;
16. Conditions regarding importation, if any;
17. Date of effectivity and termination of the contract;
18. Terms of payment to include discounts for prompt payment whenever applicable; and
19. Taxes paid by agency, i.e. VAT, etc. (taxes paid by the suppliers should not be indicated).
20. Mode of Procurement
21. Country of Origin
22. Availability of budget/appropriations/funds

VI. APPROVAL OF REV/PURCHASE/LETTER ORDER/CONTRACT BY THE PROPER OFFICIAL/BODY PURSUANT TO EXECUTIVE ORDER NOS. 301 AND 320, S. 1987 AND 1990, RESPECTIVELY, TO WIT:

Approving Official/Body

Amount Involved

1. For National Government Agencies

1.1 Department Head/Governing Board of government-owned or controlled corporations or Agency Head pursuant to E.O. 389, s. 1989 & Section 1 of E.O. 301, s. 1987

No ceiling

1.2 Subordinate officials not lower than a Director at the Central Office and its

Discretion of the Department Head/

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and alterations, amendments, and regulations, or plans proposed, passed by this Commission, which are inconsistent with the provisions of this Chapter, are hereby superadded and annulled.

X. CONFIDENTIALITY RIGHTS

This Certificate should follow the last invoice. It should

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