

SUPPLIES INVENTORIES & PROPERTY MANAGEMENT

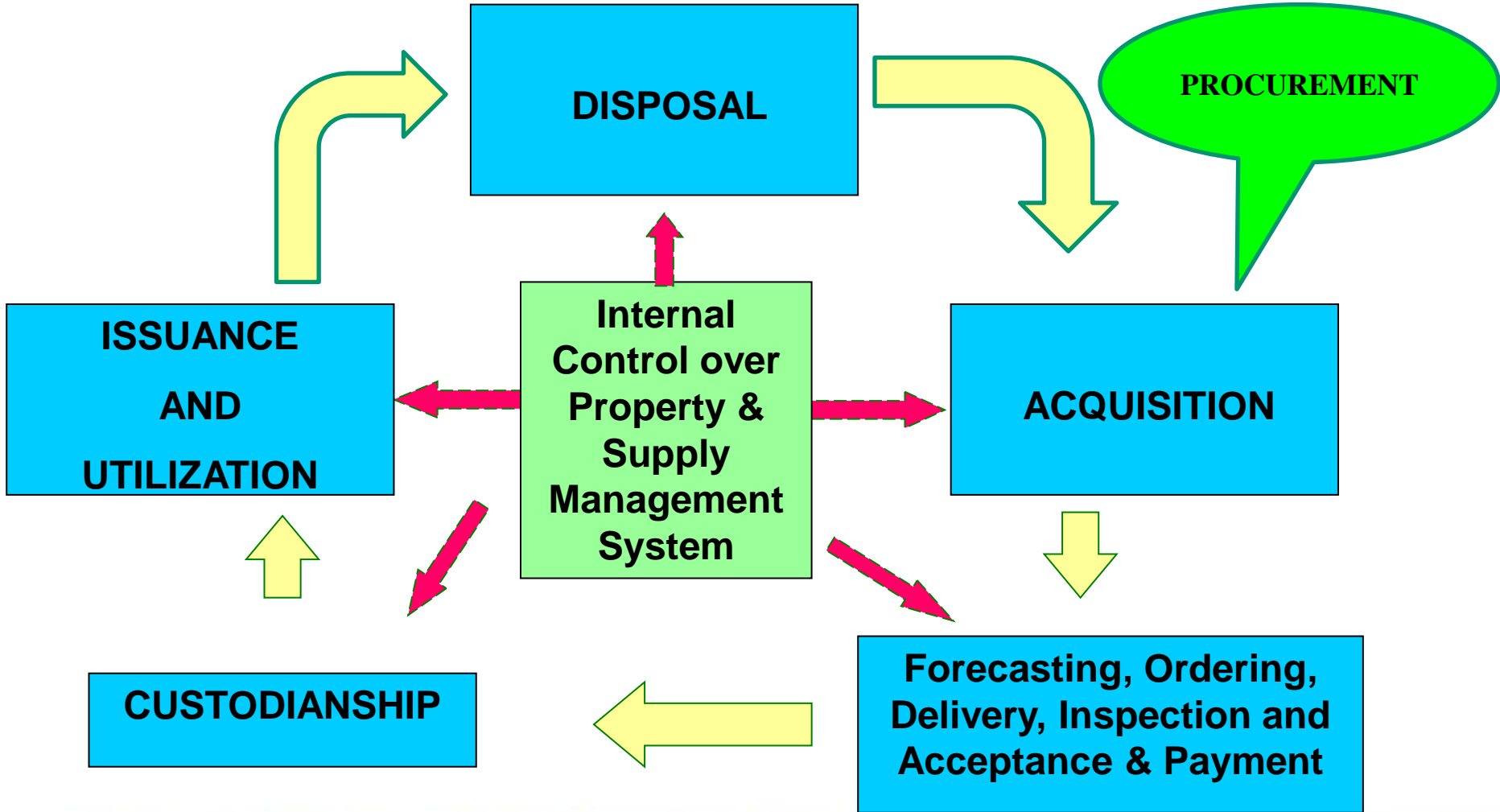
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COMMISSION ON AUDIT

PAGBA 2019 3rd Quarter Seminar L'Fisher
Hotel, Bacolod City August 28-31, 2019

PROPERTY and SUPPLY MANAGEMENT SYSTEM



SUPPLIES INVENTORIES & PROPERTY MANAGEMENT



PROPERTY and SUPPLY MANAGEMENT SYSTEM

STATE POLICY

- All **resources** of the government shall be **managed, expended or utilized in accordance with laws and regulations**

PROPERTY and SUPPLY MANAGEMENT SYSTEM

STATE POLICY

- **Ensure 3Es (economy, efficiency, and effectiveness) in the operation of the government**

ECONOMY

- DOING THINGS AT THE LEAST COST

EFFICIENCY

- DOING THINGS RIGHT

EFFECTIVENESS

- DOING THE RIGHT THINGS

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**MANDATE
OF
THE
COMMISSION
ON
AUDIT**

- **Audit, examine and settle, in accordance with laws, rules 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 GOCCs.**
- **Done through its auditors**

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ACQUISITION

**The START of the life cycle of a
government property**

A photograph of a man with a grey beard and glasses, wearing a dark blue shirt, standing in a warehouse. He is holding a cardboard box and looking at it. The background shows industrial shelving and other boxes.

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8/29/2019

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DISPOSAL / DISPOSITION

The END of the life cycle of a government property

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Similarities/Differences

ACQUISITION

- Modes
- Procurement
- Transfer
- Donation
- Confiscation, Attachment/
Seizure /Foreclosure
- Production/Manufacture
- Construction

DISPOSITION

- Modes
- Sale
- Transfer
- Donation
- Barter
- Condemnation

Similarities/Differences

ACQUISITION vis-a-vis DISPOSITION

> Modes of Procurement

- Public Bidding
- Limited Source Bidding
- Negotiated Proc.
- Direct Contracting
- Repeat Order
- Shopping

➤ Modes of Sale

- Through Public Bidding/Auction
- Negotiated Sale

PROPERTY AND SUPPLY MANAGEMENT SEMINAR

Modes of Acquiring Government Property

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Modes of Acquisition

- ⇒ Procurement
- ⇒ Transfer
- ⇒ Donation
- ⇒ Confiscation, Seizure and Foreclosure
- ⇒ Production/Manufacture
- ⇒ Construction

FACTORS CONSIDERED IN PROCUREMENT

R2QPTS

FACTORS CONSIDERED IN PROCUREMENT

⇒ Right Quality

⇒ **CLEAR** definition of the specifications

⇒ **RESPONSIVE** to the needs of the end-user

⇒ **SUITABILITY** of an item for the purpose

FACTORS CONSIDERED IN PROCUREMENT

Right Quantity

- ⇒ most economical ordering quantity
- ⇒ period covered
- ⇒ availability of supply
- ⇒ obsolescence

FACTORS CONSIDERED IN PROCUREMENT

Right Price

- ⇒ basis for the ABC
- ⇒ competitiveness
- ⇒ most advantageous

FACTORS CONSIDERED IN PROCUREMENT

Right Time

- ⇒ Responsive to the needs of the end-users
- ⇒ Observe Procurement timelines

FACTORS CONSIDERED IN PROCUREMENT

Right Source

- ⇒ **Capacity and willingness of the vendors / suppliers to enter into agreement of sale with the gov't.**
- ⇒ **Availability in the open market**
- ⇒ **Preference for domestic products**

Republic Act No. 9184

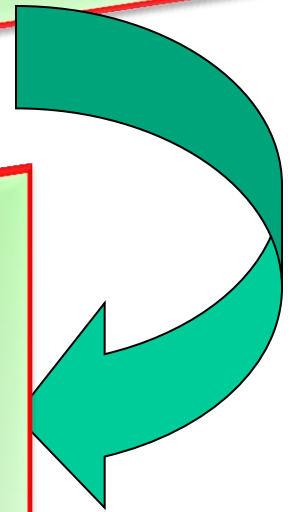
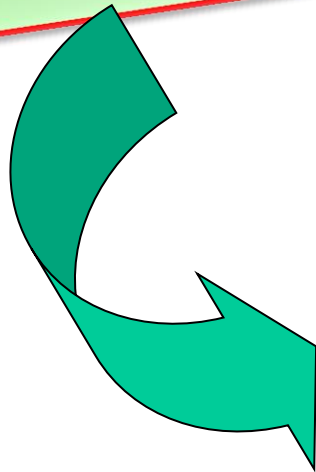
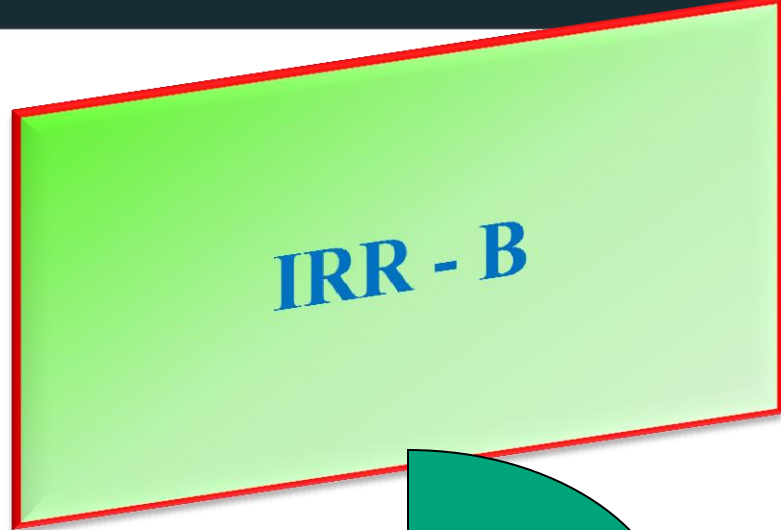
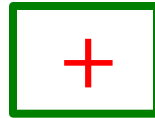
Government Procurement Reform Act (GPRRA)

January 26, 2003

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REVISED Implementing Rules and Regulations

Date Published:

August 29, 2016

Effectivity Date:

October 28, 2016

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FORECASTING

- **Is an essential element in any inventory/supply management system.**

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FORECASTING TECHNIQUES

- **Last period technique**
- **Averaging technique**
- **Moving average**
- **Exponential smoothing method**

ORDERING

- **One of the largest activities the government undertakes in the performance of its role as provider of multiple and wide ranging variety to the public and other agencies.**

A photograph of a man with a grey beard and glasses, wearing a dark blue shirt, in a warehouse setting. He is holding a cardboard box and looking at it. In the background, there are metal shelving units and other boxes. A logo is overlaid on the bottom left of the image.

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GENERAL GUIDELINES

- **Requisitions for supplies and materials drawn during the last days of December intended to be paid out of unexpected balance of the appropriation for materials shall not be allowed.**

GENERAL GUIDELINES – cont.

- **The stock on hand of supplies, materials and equipment spare parts, acquired through ordinary and emergency purchase, shall in case exceed the normal 3 months requirement, subject to pertinent rules and regulations issued by competent authority.**

GENERAL GUIDELINES – cont.

- **Three (3) months' supply is determined by computing the average monthly consumption of the agency for the last six (6) months plus 10% allowance for contingencies multiplied by three.**

GENERAL GUIDELINES – cont.

- **Subject to availability of fund, agencies may be allowed to enter into contracts for the purchase of supplies and materials for one year subject to the condition that:**
 - **a. deliveries shall be on a staggered basis**
 - **b. the agency's 3 months' supply requirements are not exceeded**
 - **c. payment shall be made after each delivery**

REORDER POINT

- **the establishment of standard stock level of commodities to be kept in stock.**
- **this system is predicated on the following factors:**
 - a. material requirement is known;**
 - b. assumes a degree of certainty in terms of future demands; and**
 - c. based upon forecasts with anticipated deviations between the forecasted and actual usage.**

REASONS FOR HOLDING INVENTORY

- **Economy of Scale**
- **Fluctuating Demand**
- **Uncertainty of Demand**
- **Speculation**

DELIVERY OF ITEMS

General Requirements

1. Deliveries shall be made within stipulated time – liquidated damages
2. Packing of Items
3. Receipt and Recording of Deliveries

INSPECTION

- **Means the examination (including testing) of supplies and services (including raw materials, and component) to determine whether the supplies and services conform to contract requirements, which include all applicable drawings, specifications and purchase descriptions.**

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Guidelines in the Inspection of Supplies/Materials/Equipment

- 1. Look into the compliance with the standards and specifications as stated in the contract.**
- 2. Inspection by COA is no longer a pre-requisite neither for acceptance nor for payment.**
- 3. Inspection shall be undertaken by the authorized inspector of the agency.**

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Guidelines in the Inspection of Supplies/Materials/Equipment -cont.

4. **Waive the inspection of purchases of insignificant value, provided he is fully convinced that the delivery in question is in accordance with the specification of the order.**
5. **Acceptance before inspection.**
6. **Within twenty-four (24) hours from such inspection, notify the Auditor of the time and date of scheduled deliveries**
7. **Report of inspection of all consumable shall be submitted to the COA Auditor within twenty-four (24) hours**

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Technique in Property Inspection

1. **Inspection by Item**
2. **Inspection by sampling**

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Sampling Techniques

- 1. Random sampling – when items included in the sample are completely taken at random from the entire delivery or from the selected group within it.**
- 2. Internal sampling – use when items in the delivery does not have serial number, post number or some other form of item identification**

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General procedures in conducting inspection – cont.

2. Proceed to delivery site and conduct inspection and testing procedures if applicable.
3. If delivery is subject to test and samples are taken, accomplish the certificate of sampling in accordance with the prescribed guideline on testing
4. Prepare inspection report immediately after inspection for submission to the agency inspector's supervisor.

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AUTHORIZED LABORATORIES FOR TESTING AND EVALUATION

- 1. Research and Development Center, (AFP)**
 - a. Ordnance and Chemicals**
 - b. Quarter master**
 - c. Special delivery**
- 2. Bureau of Food and Drug (BFAD)**
 - a. Food**
 - b. Drug and medicines**
 - c. Cosmetics**

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AUTHORIZED LABORATORIES FOR TESTING AND EVALUATION

- 3. Bureau of Research and Standards (DPWH)
a. construction materials**
- 4. Industrial Technology Development Center
a. office supplies
b. industrial products**
- 5. Metal Industry Research and Dev't. Center
a. metal products**

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AUTHORIZED LABORATORIES FOR TESTING AND EVALUATION

- 6. Bureau of Soil and Water Management**
 - a. Fertilizer**
- 7. Bureau of Animal Industry**
 - a. Animal feeds**
 - b. Veterinary products**
- 8. Forest Management Bureau-DENR**
 - a. Wood and wood products**
- 9. Phil. Textile Research Institute**
 - a. textile**

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WAIVER OF TEST

- 1. When the specifications of the order do not need actual testing because they can be determined or calculated.**
- 2. When the specifications of the supplies or property of the current purchase are similar with those of the prior purchases, which has already been tested by authorized testing agency provided that the current and previous purchases are from same supplier.**

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WAIVER OF TEST- cont.

- 3. When deliveries are government products, provided that same are delivered to the local gov't. in their original containers, sealed and properly labeled without any indication of tampering or an attempt to unseal the containers.**

PROPERTY CUSTODIANSHIP

- refers to the **guardianship** of government property by the person accountable.
- includes receipt of supplies, materials and equipment, safekeeping, issuance, and repair and maintenance.

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PROPERTY CUSTODIANSHIP

- also includes **accountability, responsibility and liability** of accountable or responsible officers arising from loss, misuse, damage or deterioration of government property due to fault or negligence in the safekeeping thereof.

ACCOUNTABILITY

- a **person's obligation to carry out responsibilities** and be answerable for decisions and activities.
- holding people answerable or accountable to someone for doing specific things, according to specific plans and timetables to accomplish tangible performance results.

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A man with a grey beard and glasses, wearing a dark blue shirt, is standing in a warehouse. He is holding a cardboard box with both hands and looking at it. The background shows green metal shelving units filled with various items, including boxes and bags. In the bottom left corner, there is a white rectangular box with the text "SUPPLIES INVENTORIES & PROPERTY MANAGEMENT" in a bold, sans-serif font.

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ACCOUNTABLE OFFICER

- any officer or employee of the government who by reason of his office or duties is **required or permitted to have custody** of public funds or property.

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RESPONSIBILITY

- **The acceptance of the assigned authority;** the obligation prudently to exercise assigned or imputed authority, attaching to the assigned or imputed role of an individual or group participating in organizational activities or decisions.
- **State of being answerable for the discharge of a duty.**

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LIABILITY

- obligation that arises as a consequence of an **illegal or improper act** or the **non-performance** of what one is mandated to do.
- obligation which a person is bound to discharge or meet either in law or in equity.

LIABILITIES OF ACCOUNTABLE OFFICER

- for all **losses, damage or deterioration** occasioned by **negligence** in the keeping or use of the property, whether or not it be at the time in his actual custody.

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MEASURE OF LIABILITY OF ACCOUNTABLE OFFICER

- **money value** in case of improper or unauthorized use or misapplication of the government property by himself or by any person for whose acts he may be responsible.

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DUE CARE

- the amount of care and attention which an official or employee would reasonably give to his **private property**, considering all the attending circumstances.

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NEGLIGENCE

- **failure to exercise the degree of care demanded by the circumstances.**
- **failure to take the necessary precaution of zeal in the performance of one's duties.**



No accountable officer shall be relieved from liability by reason of his having acted upon the direction of the a superior officer in paying out, applying , or disposing of the funds or property with which he is chargeable, unless **prior to that act, he notified the superior officer in writing of the illegality of the payment, application or disposition.**

The officer directing any illegal payment or disposition of the funds or property shall be **primarily liable for the loss, while the accountable officer who fails to serve the required notice shall be **secondarily liable**. (Sec. 106, PD 1445)**

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BONDING REQUIREMENTS

- 1. Appointment and/or designation as accountable officer;**
- 2. Written character references by at least three officials of the agency, one of whom is the Administrative and/or Legal Officer other than the official who appointed/designated him; and**
- 3. Statement of Assets and Liabilities as of the end of the preceding year.**

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TRANSFER OF ACCOUNTABILITY MAY OCCUR

1. When property which is no longer serviceable or no longer needed is **transferred from one agency to another** without cost or at appraised value;
2. When property is **transferred from one accountable officer to another** or from an outgoing officer to his successor.

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PROCEDURES IN THE REQUEST FOR RELIEF FROM ACCOUNTABILITY

- 1. Immediately notify the auditor of the occurrence of the loss; and**
- 2. Submit an application for relief, with complete supporting documents, within 30 days from occurrence of the loss.**

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BASIC REQUIREMENTS FOR RELIEF FROM ACCOUNTABILITY

- 1. Notice of Loss**
- 2. Affidavit or Sworn Statement of the accountable officer on the facts and circumstances surrounding the loss**
- 3. Joint Affidavit of two disinterested persons who have personal knowledge of the fact of loss**

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BASIC REQUIREMENTS FOR RELIEF FROM ACCOUNTABILITY

- 4. Property Acknowledgment Receipt/s covering the property/ies subject of the request**
- 5. Final/progress investigation report by the PNP, NBI or other investigating body**

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STORAGE

- refers to the **scientific and economical receipt, warehousing and issue** of materials for their best safekeeping and rapid availability.

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To be **economical**, savings in space, labor and equipment have to be effected; damages, accidents and wasteful use should be minimized.

BEST SAFEKEEPING

- means protecting the materials against theft, fire and deterioration but easily accessible when needed.

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WAREHOUSING

- **refers to the materials handling, which is the movement of supplies from one place to another without affecting their value.**

NEED FOR EFFECTIVE REPAIR AND MAINTENANCE PROGRAM

- **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.**

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Maintenance

the routine and periodic
upkeeping function of
preserving the productive
ability or capacity of the
property, plant and
equipment.

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DISPOSAL / DISPOSITION

The end of the life cycle of a government property

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**SUPPLIES INVENTORIES
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Authority and Responsibility for Divestment or Disposal is lodged in the agency head or governing bodies.



COA Cir. 89-296; EO No. 888; GAAM 501

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Destruction or Sale of Unserviceable Property

-  **has become unserviceable
for any cause**
-  **is no longer needed**

Sec. 79 of PD 1445

GAAM 502

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COA Circular 95-006

Section 9.06

A copy of the Inspection Report of unserviceable property and equipment shall be submitted to the Head of the Auditing Unit immediately after inspection conducted by management.

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COA Circular 95-006

6.0 Duties and Responsibilities of Agency Officials

shall furnish the Auditor with *a copy of the schedule or notice* of opening of bids and condemnation / destruction of government property *at least five days before the scheduled time.*

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Disposal Objectives

- to avoid continuing carrying/inventory costs
- to prevent further deterioration thereby obtaining the fair return in case of sale
- to relieve accountable officers of unnecessary accountability
- to make available space for the agency

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Determination of Disposable Property

- Can no longer be repaired or reconditioned
- Maintenance/repair costs more than outweighs the benefits and services
- Has become obsolete or outmoded
- Has been rendered unnecessary due to change in the Agency's functions/mandate
- In excess of requirements
- Has become dangerous or hazardous to use



Guidelines on the Divestment or Disposal of Assets (COA Circular 86-264)

1. Constitute the Disposal Committee

- require the submission the list of assets to be disposed of: program for disposal, IIR/RWM, appraisal documents, disposal procedures to be adopted
 - inspect assets
 - establish the floor price

2. Furnish the COA Auditor at least five days before the scheduled bidding with a copy of program for disposal, IIR/RMW, appraisal documents & disposal procedures



3. Advertise by printed notice for not less than three consecutive days in any newspaper or by notices posted for a like period in at least three prominent public places in the locality.

4. Pre-qualify bidders -10% bond, latest FS, ITR.

5. Constitute the BAC on Disposal to conduct the public bidding.

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SUPPLIES INVENTORIES
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Creation of Disposal Committees and Secretariat (EO 888 and 309)

For National and Corporate Agencies

Chairman -- not lower than Assistant Secretary for a department and Assistant Director for a bureau.

Members

- Head of Administrative Unit;
- Head of Property Unit

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Creation of Disposal Committees and Secretariat (EO 888 and 309)

For Local Government Units

Chairman -- Local Chief Executive
Members

- Treasurer
- Accountant
- Budget Officer
- General Services Officer
- Head of Requisitioning Office

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MODES OF DISPOSAL

Public Bidding

- Sealed Public Bidding
- Public Auction by Viva Voce

Negotiated Sale

Transfer

Barter

Donation

Condemnation/Destruction

Public Auction

- adequate publicity and notification
- sufficient time frame between publication and date of auction
- opportunity to inspect the property
- confidentiality of sealed proposals
- bond and other pre-qualification requirements
- fair evaluation of tenders and proper notification of award

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Sale thru Negotiation

- There was failure of public auction.
- The negotiation may be conducted singly provided that government gets the best price.
- A record of proceedings must be maintained.
- The negotiated price shall not be lower than the highest offer submitted at the failed public auction.

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A photograph of a man with a grey beard and glasses, wearing a dark blue shirt, standing in a warehouse. He is holding a cardboard box and looking at it. The background shows industrial shelving and other boxes.

**SUPPLIES INVENTORIES
& PROPERTY MANAGEMENT**

- **Transfer** of property between government agencies (with or without cost) - Invoice/Receipt of Property
- **Barter** (exchange for another piece of property)
- **Donation** (to charitable, scientific, education or cultural associations, NGOs)
- **Condemnation/Destruction** (valueless, unsaleable or hazardous property)

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A photograph of a man with a grey beard and glasses, wearing a dark blue shirt, standing in a warehouse. He is holding a cardboard box and looking at it. The background shows industrial shelving and other boxes. In the bottom left corner, there is a white box with black text that reads "SUPPLIES INVENTORIES & PROPERTY MANAGEMENT".

SUPPLIES INVENTORIES
& PROPERTY MANAGEMENT

Appraisal - art of estimating the fair exchange worth of a property as of a specified date, supported by relevant and factual data.

Appraisal may or may not be accurate depending on:

Basic competence and integrity of appraiser

Soundness and skill with which he/she uses the data

Availability of pertinent data

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Appraised Value - an estimate or opinion of value of a described property as of a specific date transmitted in writing and supported by relevant and factual data

Situations where appraisal is needed:

- transfer of ownership
- financing and credit
- **just compensation in sale or condemnation procedures**
- basis for taxation/taxes

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**SUPPLIES INVENTORIES
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THANK YOU

JERRY A. CALAYAN

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