

COMMISSION ON AUDIT CIRCULAR NO. 86-264 October 16, 1986

TO : The presiding officers of Governing Boards and the Managing Heads of Government-Owned and/or Controlled Corporation, Including their Subsidiaries; COA Managers/ Regional Directors/Heads of Corporation Auditing Units; and others concerned.

SUBJECT : General guidelines on the divestment or disposal of assets of government-owned and/or controlled corporations, and their subsidiaries.

1.0 Rationale and Scope

These guidelines shall govern the general procedures on the divestment or disposal of assets of government-owned and/or controlled corporations and their subsidiaries, which shall be supplemented by specific procedures as may be adopted by the corporation concerned, provided they do not contravene existing laws and the provisions of this Circular.

2.0 Authorization

The divestment or disposal of assets shall be duly authorized by the Governing Body or the Managing Head of the corporation concerned, as the case may be, in accordance with the properly adopted delegation of authority within the corporation.

3.0 Modes of Disposal

3.1 Public Auction

As a rule, public auction or bidding shall be the primary mode of disposal of assets. The established mechanics and procedures in public auction shall be observed, which shall invariably include: (a) adequate publicity and notification, so as to attract as much number of interested parties; (b) sufficient time frame between publication and date of auction; (c) opportunity to inspect assets to be disposed of by interested parties; (d) confidentiality of sealed bids or proposals; (e) bond and other prequalification requirement to guarantee performance; and (f) fair evaluation of tenders, and proper notification of award.

3.2 Sale thru Negotiation

Disposal thru this mode, which is a sale without public bidding, shall be resorted to only in case of failure of public auction.

3.3 Transfer to other Government Agencies

Any property that is no longer serviceable or needed by the corporation may be transferred to other government agencies without cost, or at an appraised value upon authority of the head or governing body of the corporation concerned and the receiving agency, and upon due accomplishment of an Invoice and Receipt of Property.

3.4 Destruction/Condemnation

This mode shall be resorted to only when the unserviceable property has no commercial value, or is beyond economic repair, or there is no willing receiver, and/or the appraised value is less than the

administrative cost of sale, subject to prior inspection by the COA auditor concerned.

4.0 General Procedures & Responsibilities in Public Auction

4.1 Management Responsibilities

4.1.1 Constitute the Disposal Committee, the composition of which shall be determined by the proper authority in the corporation. Among others, the duties of the Committee shall be as follows:

a. Require the submission by the concerned offices/departments of the corporation the assets to be disposed of, and all the necessary documents pertaining thereto, which shall include the following:

- i. Program for disposal, with time schedules;
- ii. Inventory Report showing the itemized list and complete description of the assets;
- iii. Appraisal documents which may either be in-house or by an independent appraiser, or both; and
- iv. Specific assets disposal procedures, if any.

b. Inspect the assets to be disposed of, and verify the justification for its disposal.

c. Establish, either by itself or thru an independent appraiser, the floor price for each asset item, considering the in-house or independent appraisal submitted, as well other relevant factors, such as:

- I Market demand;
- ii Economic viability, or premiums to cover goodwill and income generating capacity of a going concern;
- iii. Results of previous bidding of similar properties
- iv Administrative costs of handling;
- v. Physical condition, estimated economic life, and depreciated value; and
- vi. Such other factors as may be determined by the committee.

4.1.2 Furnish the COA Auditor at least twenty (20) days before the advertisement of call to public auction/bidding, with a copy each of the following: (a) the program for disposal of assets, with time schedules; (b) Inventory Report showing the itemized list and complete description of the assets to be disposed; (c) Appraisal Report showing the appraised values of the assets for sale; and (d) disposal procedures adopted.

4.1.3 Advertise by printed notice for not less than 3 consecutive days in any newspaper of general circulation, or where the value of the property does

not warrant the expense of publication, by notices posted for a like period in at least three (3) prominent public places in the locality where the property is to be sold, including the terms and conditions of the sale and the prequalifications of bidders, if necessary like, the posting of 10% bidders bond, latest financial statements and income tax return.

- 4.1.4 Constitute the Bids Committee and Awards Committee which shall:
- a. Conduct the opening of bids in the presence of a COA representative at the designated time and place.
 - b. If the first bidding fails readvertise and conduct second bidding.
 - c. If the second bidding still fails, a negotiated sale may be resorted to subject to the approval of the Commission on Audit.
 - d. Approve and issue the award to the winning bidder.

4.2 COA Responsibilities

- 4.2.1 Upon receipt of the disposal documents from management, the Auditor shall
- a. Forward a copy of the appraisal/valuation report, together with his comment and/or recommendation thereon, to the Technical Service Office (TSO) thru the Corporate Audit Office, for review; and
 - b. Review the corporation's procedures for the sale of assets to assess propriety and conformity with existing laws and regulations.
- 4.2.2 The TSO, employing its own organic personnel or engaging the services of a private consultant/specialist, shall review the appraisal/valuation report of the corporation for reasonableness, thereafter transmitting its comments/action thereon to the Auditor concerned, thru the Corporate Audit Office.
- 4.2.3 Unless otherwise authorized by this Commission, disposal of assets shall be subject to audit before the transaction is consummated, as required under COA Circular No. 86-257, if the selling/floor price in each case is P1 million or more.

5.0 Exceptions and Effectivity

This Circular shall not apply to sales of merchandise/inventory held for sale in the regular course of business.

This Circular shall take effect immediately.

(SGD.) TEOFISTO T. GUINGONA, JR., Chairman