
MANUAL

on

**DISPOSAL
OF
GOVERNMENT PROPERTY**

Systems and Procedures Bureau
DEPARTMENT OF BUDGET AND MANAGEMENT
Malacañang, Manila

Republic of the Philippines
SYSTEMS AND PROCEDURES BUREAU
Department of Budget and Management
Malacanang, Manila

January 28, 1992

THE HONORABLE SECRETARY
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Malacanang, Manila

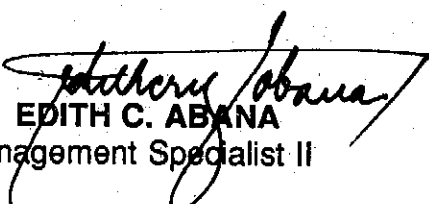
Sir:

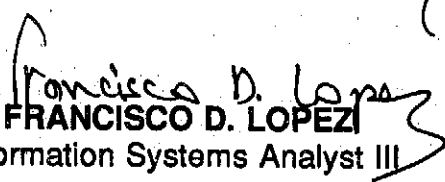
We are submitting herewith the final copy of the Manual on the Disposal of Government Property which the Systems and Procedures Bureau prepared pursuant to its mandate under Executive Order No. 285, together with the National Budget Circular officially endorsing the use of the Manual by all concerned.

The Manual is an improved version of a looseleaf material on disposal guidelines earlier developed by the Bureau for DBM's internal use in connection with disposal activities that the Department's Regional Offices and SPB itself are undertaking but which some other agencies have already been using even in the absence of an official endorsement. The Circular will provide the necessary imprimatur and, hopefully, widen the Manual's dissemination and utilization.

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REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
MALACAÑANG, MANILA

NATIONAL BUDGET CIRCULAR NO. 425
January 28, 1992

TO : ALL HEADS OF DEPARTMENTS, BUREAUS, OFFICES AND AGENCIES OF THE NATIONAL GOVERNMENT; STATE UNIVERSITIES AND COLLEGES; GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS; AND ALL OTHERS CONCERNED

SUBJECT : **MANUAL ON THE DISPOSAL OF GOVERNMENT PROPERTY**

- 1.0 With the abolition of the Supply Coordination Office (SCO) pursuant to Executive Order No. 285 dated July 1987, the function of disposal of obsolete, forfeited, abandoned and surplus supplies, materials and equipment has been transferred to the different line departments and agencies, subject to the guidelines developed by the Systems and Procedures Bureau (SPB) of the Department of Budget and Management (DBM) and existing laws.
- 2.0 Pursuant to this directive, a Manual on the Disposal of Government Property is hereby issued to guide agencies in their disposal undertakings.
- 3.0 The Manual was prepared taking into consideration existing laws and policies governing disposal, the guidelines issued by the defunct Supply Coordination Office and pertinent rules and regulations of the Commission and Audit. Refinements and supplements were introduced by DBM to enhance relevance and practicality of the guidelines. This was done as a result of observations obtained from actual exposure of SPB staff and DBM Regional offices to disposal activities.
- 4.0 As manuals are supposed to be dynamic, improvements on the guidelines may be introduced from time to time as we are able to develop better disposal methods. Agencies are encouraged to present their suggestions or recommendations to DBM in this regard.
- 5.0 It is hoped that the Manual on the Disposal of Government Property will be helpful to all concerned.


GUILLERMO N. CARAGUE
Secretary of Budget and Management



MANUAL
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OF
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PART I

INTRODUCTION

A. Background and Purpose

Property disposal is the third and last phase in the supply management cycle where the first two phases consist of procurement, and utilization and maintenance. Disposal occurs when a piece of equipment or property can no longer provide efficient service or, though still working, has been rendered useless due to obsolescence.

Disposal proceedings should be immediately initiated to avoid further deterioration of the property and consequent depreciation in its value. A systematic and timely disposal will yield benefits in terms of, among others, a higher appraised value and by enabling storage areas available for other purposes.

To facilitate the disposal of the increasing quantity of unserviceable equipment and property, the heads of the various departments/agencies have been authorized to dispose of such equipment and property. Together with such authorization, a uniform procedure of government property disposal is prescribed.

This manual aims to serve as a guide to agencies by providing informative and prescriptive materials on the legal provisions, responsibilities, procedures, conditions and requirements concerning disposal actions.

B. Legal Bases

Disposal activities are governed primarily by the following issuances:

1.0 *Executive Order No. 888, Series of 1983*

Executive Order No. 888 dated March 18, 1983 stipulates, among others:

- 1.1 the authority of the Ministers (now Secretaries) and Heads of Ministries (now Departments/Agencies) to dispose of their respective unserviceable equipment and disposable property;
- 1.2 the creation of a Disposal Committee in each department/agency to be composed of the representatives of the owning department/agency, the Bureau of Supply Coordination and the Commission on Audit;

- 1.3 the creation of Regional Disposal Committees composed of the representatives of the regional offices of the owning department/agency, the Bureau of Supply Coordination, and the Commission on Audit;
- 1.4 the duties of the Disposal Committee and the Regional Disposal Committee;
- 1.5 the submission of disposal documents and the modes of disposal.

2.0 *Executive Order No. 285, Series of 1987*

Executive Order No. 285 dated July 25, 1987, on the other hand, provides, among others:

- 2.1 the abolition of the General Services Administration and the transfer of its functions to appropriate government agencies;
- 2.2 the mandate of the Systems and Procedures Bureau of the Department of Budget and Management to develop guidelines relative to disposal of government property;
- 2.3 the reconstitution of the Disposal Committee which shall now include the representative of the Department of Budget and Management in lieu of the Supply Coordination Office.

C. **Agency Coverage**

The guidelines prescribed in this manual shall apply to departments and agencies of the national government including their respective regional/field offices, state universities and colleges, and government-owned or controlled corporations.

D. **Scope of Guidelines**

- 1.0 The guidelines contained herein shall refer to the disposal of government property which are unserviceable, obsolete, forfeited, abandoned, excess or surplus to the needs of the government, or junk or scrap materials. As used in this manual, government property refers to *personal property such as supplies, materials and equipment purchased or owned, stocked and used by the government in its operations.*
- 2.0 Disposal of the following property are likewise covered by these guidelines but shall be done in coordination with appropriate government agencies:

- 2.1 Museum materials acquired and preserved solely for exhibition; and antique property and works of art, which shall be referred to the National Museum for the determination of its disposition and appraisal of value;
 - 2.2 Documents submitted for copyright, in coordination with the National Library; and
 - 2.3 Models submitted in connection with applications for patents, in coordination with the Bureau of Patents, Trademarks and Technology Transfer.
- 3.0 Excluded from the coverage of this manual are:
- 3.1 Real Property, which shall be governed by the DBM-DENR-DPWH Joint Circular No. 1 dated September 30, 1989. Disposal of real property shall be done in coordination with the Department of Environment and Natural Resources.
 - 3.2 Records, which shall be governed by the DECS Department order No. 13-A dated February 3, 1988.

E. Definition of Terms

The following terms which are used to refer to disposable government property are defined, thus:

- 1.0 *Abandoned Property* - any personal property in the possession of any government agency without a known owner.
- 2.0 *Beyond Economical Repair* - when the cost of repair and maintenance becomes prohibitive and disadvantageous to the government considering such factors as:
 - 2.1 maintenance expenses
 - 2.2 downtime
 - 2.3 replacement cost of spare parts
 - 2.4 frequency of breakdown
 - 2.5 alternative modes such as rental of equipment or outright replacement
- 3.0 *Economically Repairable* - that which can be rehabilitated and maintained at a cost economical to the agency, considering the five (5) factors mentioned in item 2.0 above.

- 4.0 **Equipment** - any property, other than land, structures and fixed facilities, having a useful life greater than one year, the cost of which amounts to P1,500 or more (per COA Circular No. 86-200B) and which when used does not suffer any material or substantial change or alteration in size or form.
- 5.0 **Excess Property** - that which is beyond the requirement of the owning agency but may still be needed in some other government agencies.
- 6.0 **Expendable Property** - that which may be consumed, spent, or used-up, such as, supplies.
- 7.0 **Forfeited Property** - that which is acquired by summary process or by order of the court pursuant to any law in the Philippines.
- 8.0 **Materials** - are expendable commodities used by the government in the process of manufacture or construction including parts or remnants from destroyed or damaged fixed assets.
- 9.0 **Non-expendable Property** - that which cannot be consumed, spent or used-up, such as, equipment.
- 10.0 **Obsolete Property** - that which has lost its efficacy either due to technological advancement, change of procedures, reorganization of office, or completion of project.
- 11.0 **Scrap/Junk** - fragments of discarded materials that has no value except for its basic material contents and which cannot be reprocessed and re-used in the operations of other government property.
- 12.0 **Supplies** - are expendable commodities which are normally consumed within a year in connection with government operations.
- 13.0 **Surplus Property** - excess personal property no longer needed by the government.
- 14.0 **Unserviceable Property** - that which is beyond repair and has no more utilization potential.

PART II

DISPOSAL ACTIVITIES/PROCESSES

A. Creation of the Disposal Committee

1.0 *Organization*

The creation of a Disposal Committee in each department and agency is provided in E.O. 888. On the other hand, E.O. 285 stipulated the reconstitution of the Disposal Committee as follows:

Owning Department or Agency	-	Chairman
Commission on Audit	-	Member
Department of Budget and Management	-	Member

The Regional Disposal Committees are organized in the same manner, with representatives from the following:

Regional Office of Owning Dept./Agency	-	Chairman
DBM Regional Office	-	Member
COA Regional Office	-	Member

2.0 *Functions*

2.1 Disposal Committee/Regional Disposal Committee

The functions of the Disposal Committees and the Regional Disposal Committees as provided in E.O. 888 are the following:

- a. Inspect or authorize the department's/agency's field offices to inspect the unserviceable equipment and property to verify justification for disposal;
- b. Set the final appraised value of all disposable property considering obsolescence, market demand, physical condition and result of previous biddings for similar property;
- c. Recommend to the Head of the Department/Agency for approval, the manner of disposal;
- d. Conduct public biddings for the sale of disposable property on an "as is, where is" basis and to recommend corresponding award.

Recommendations of Disposal Committees in the regions and in agencies attached to certain Departments shall be subject to the final approval of the Head of the Department concerned.

2.2 Chairman and Members of the Committee

The Disposal Committee Chairman calls the meeting of the Committee and initiates the activities in the disposal process. In cases of conflicts or differences among the Committee members especially regarding varying appraised values, the Chairman shall make the final decision as to which recommendation shall be submitted to the Head of the Department/Agency for approval.

The members are clothed with the authority to make decisions in behalf of their respective offices during the various committee deliberations. The members are expected to undertake inspection, appraisal and valuation activities as a group or individually, and participate in the bidding and awarding activities.

3.0 *Secretariat Services*

A Secretariat and technical staff to be manned from existing personnel of the agency shall be formed to handle all the Committee's technical and administrative matters as well as the safekeeping and systematic filing of Committee documents and records.

4.0 *Designation of the DBM Representative*

The DBM representative to the Disposal Committee shall be designated by an authorized DBM official upon submission by the agency of a letter requesting such designation.

B. Determination of Disposable Property

Any or all of the following conditions shall constitute disposable property:

- 1.0 Property which can no longer be repaired or reconditioned;
- 2.0 Property whose maintenance cost/costs of repair more than outweighs the benefits and services that will be derived from its continued use;
- 3.0 Property that has become obsolete or outmoded because of changes in technology;
- 4.0 Serviceable property that has been rendered unnecessary due to change in the agency's functions or mandate;

- 5.0 Unused supplies, materials, and spare parts that were procured in excess of requirements; and
- 6.0 Unused supplies and materials that has become dangerous to use because of long storage or use of which is determined to be hazardous.

C. Submission of Documents Pertaining to Disposable Property

Accountable officials in possession of unserviceable property shall submit to the Disposal Committee, through their respective heads of offices, the following accomplished forms, as appropriate:

- 1.0 *Inventory and Inspection Report* (I & I Report, otherwise known as General Form No. 17-A). This form covers semi-expendable materials and equipment and non-expendable supplies and should be accompanied by any of the following as the case maybe: [See Annex A]
 - 1.1 Individual survey report, duly certified by the Supply Officer and Head of Agency;
 - 1.2 List of missing spare parts, duly certified by the Supply Officer and Head of Agency;
 - 1.3 Stencils of chassis and engine numbers of motor vehicles; and
 - 1.4 Current photographs in two (2) positions.
- 2.0 *Report of Waste Materials* (RWM otherwise known as General Form No. 64-A). This form covers expendable materials, supplies, and consumables including spare parts, empty containers, remnants from destroyed or damaged fixed assets. [See Annex B]
- 3.0 *Invoice-Receipt for Property* (IRP otherwise known as General Form No. 30-A). This form covers government property transferred from another agency which has become unserviceable, and duly recommended for disposal by the head of the agency. [See Annex C]

D. Inspection

- 1.0 *Objective.* Inspection is aimed at obtaining a first hand observation of the physical and operational condition of the property and their marketability or ability to attract prospective buyers.
- 2.0 *Conduct of Ocular Inspection.* Inspection may be done separately by each member of the Disposal Committee or as a group, where practicable. In the conduct of ocular inspection, the following activities shall be performed, where applicable;

- 2.1 Verify stated serial number, motor number, property number, and other specifications necessary for establishing correct identification of the property.
- 2.2 Determine the physical condition/general appearance of the property relative to:
 - a. the equipment being operational, economically repairable or beyond economical repair;
 - b. the availability of spare parts and the general obsolescence of the equipment; and
 - c. the quality, degree and extent of maintenance and repair done on equipment.
- 2.3 In cases where the equipment is declared to be junk, the total estimated weight per lot should be determined to form as basis of the appraised value. The cost per unit of the property/supplies inspected will depend on the kind of material appraised.

E. Appraisal

- 1.0 *Objective.* The objective in computing the appraised value of the property for disposal is to set the government's minimum selling price so that the government shall receive fair compensation for the items sold. The Disposal Committee members, including the owning agency, shall each prepare its appraisal report.
- 2.0 *Basis of the Computation.* After having conducted the ocular inspection and regardless of the mode of disposal to be undertaken, the appraised value shall be computed using as basis the information/data appearing in the Inventory & Inspection Report, Report of Waste Materials and Invoice-Receipt for Property.

The following basic variables are to be used:

 - year of acquisition
 - cost of acquisition
 - replacement cost
- 3.0 *Formulae.* In the computation of the appraised value, any of the formulae as enumerated below in versions may be used depending on the information available.

3.1

Version 1 - this is used for all types of property where the acquisition cost and year of acquisition are known.

APPRAISED VALUE = RUV x CF x CFF x No. of Units

where,

$$\text{RUV} = (\text{AC} - \text{SV}) \times \frac{\text{R}}{\text{L}} + \text{SV}$$

3.2

Version 2 - this is used for all types of property where the acquisition cost and year of acquisition are unknown but the replacement cost can be established.

APPRAISED VALUE = RC x CF x UF x No. of Units

3.3

Version 3 - this is used for all types of property where the acquisition cost is unknown, but year of acquisition and replacement cost can be established.

APPRAISED VALUE = RC x AF x CF x No. of Units

Legend:

RUV - Remaining Useful Value
CF - Condition Factor
CFF - Currency Fluctuation Factor
AC - Acquisition Cost
SV - Salvage Value
R - Remaining Useful Life
L - Estimated Service Life
AS - Actual Service
RC - Replacement Cost
UF - Usage Factor
AF - Age Factor

4.0 *Definition of Terms* (as used in the formulae):

- 4.1 ACQUISITION COST (AC), refers to the price or amount at which the property was purchased or acquired.
- 4.2 REPLACEMENT COST (RC), refers to the current market price of a similar new equipment; or if the equipment is no longer available in the market due to product obsolescence, the market price of a similar equipment which can functionally replace the item appraised.
- 4.3 CURRENCY FLUCTUATION FACTOR (CFF), or P to \$ rate APPRAISAL YEAR over P to \$ rate ACQUISITION YEAR, as used in Version 1, refers to the U.S. Dollar reference rate relative to the Philippine Peso at the time of appraisal/acquisition. [See Annex D for Annual Average of US\$ Guiding Rate]
- 4.4 ESTIMATED SERVICE LIFE (L), as used in Version 1, refers to the length of service life that may be expected from a particular equipment assuming normal utilization. [See Annex "E" for Table of Estimated Service Life of Equipment/Property]
- 4.5 ACTUAL SERVICE (AS), is defined as the age of the equipment/property from date of purchase, or the difference between the year of disposal and the acquisition year.
- 4.6 REMAINING USEFUL LIFE (R), as used in Version 1, refers to the difference between the Estimated Service Life (L) and the number of years of actual service (AS) of the property. If the computed R is less than zero, R is assigned a value of zero.
- 4.7 SALVAGE VALUE (SV), is equivalent to ten percent (10%) of the acquisition cost of the equipment/property.
- 4.8 PHYSICAL CONDITION (PC), refers to the condition of the property at the time of inspection relative to such observable factors as form, physical state, general appearance, degree of deterioration/ obsolescence, completeness of components, marketability of the property/components and other similar observable factors.
- 4.9 CONDITION FACTOR (CF), as used in all versions, refers to the value, used for computational purposes, corresponding to the Physical Condition of the equipment/property.

PHYSICAL CONDITION CF VALUE

EXCELLENT	0.80
VERY GOOD	0.70
GOOD	0.60
SATISFACTORY	0.50
ADEQUATE	0.40
FAIR	0.30
POOR	0.20
VERY POOR	0.10

4.10 USAGE FACTOR (UF), as used in all versions, refers to whether the equipment/property has been used or not at the time of disposal. If the property has not been used, UF is assigned a constant value of 0.90; otherwise, it is equal to the values assigned to the Condition Factor (CF).

VALUES OF THE USAGE FACTOR:

- a) If UNUSED 0.90
- b) If USED, and the physical condition is:

PHYSICAL CONDITION UF VALUE

EXCELLENT	0.80
VERY GOOD	0.70
GOOD	0.60
SATISFACTORY	0.50
ADEQUATE	0.40
FAIR	0.30
POOR	0.20
VERY POOR	0.10

4.11 AGE FACTOR (AF), as used in Version 3, refers to the remaining economic value of the property relative to its estimated useful life. [See Annex E for Table of Estimated Service Life of Equipment/Property]

The value of the AGE FACTOR (AF) is determined by evaluating first the Depreciation and reckon the corresponding value of the Age Factor (AF). The computation for the value of Depreciation (D) is:

$$D = \frac{L - AS}{L}$$

<u>If D is:</u>		<u>Value of AF is:</u>
1	D ≤ -1.00	0.100
2	-1.00 < D ≤ -0.90	0.118
3	-0.90 < D ≤ -0.80	0.136
4	-0.80 < D ≤ -0.70	0.155
5	-0.70 < D ≤ -0.60	0.173
6	-0.60 < D ≤ -0.50	0.191
7	-0.50 < D ≤ -0.40	0.209
8	-0.40 < D ≤ -0.30	0.227
9	-0.30 < D ≤ -0.20	0.245
10	-0.20 < D ≤ -0.10	0.264
11	-0.10 < D ≤ 0.00	0.282
12	D = 0	0.300
13	0 < D < 0.50	D + 0.400
14	D ≥ 0.50	0.900

5.0 **Sample Computations**

5.1 Version 1

$$\text{APPRAISED VALUE} = \text{RUV} \times \text{CF} \times \text{CFE} \times \text{No. of Units}$$

$$\text{RUV} = (\text{AC} - \text{SV}) \times \text{R/L} + \text{SV}$$

Given:

Year of Acquisition: 1960
 Year of Disposal: 1991
 Acquisition Cost: P 50,000.00
 Estimated Service Life: 20 years
 No. of Units: one (1)
 Physical Condition: poor

Step 1. Compute Remaining Useful Life (R)

$$\begin{aligned} R &= L - AS \\ &= 20 - (1991 - 1960) \\ &= 20 - 31 \\ &= -11 \end{aligned}$$

Since the value of R is negative, R is assigned a value of ZERO (0).

$$R = 0$$

Step 2. Compute for the Salvage Value (SV)

$$\begin{aligned} \text{SV} &= 10\% \times \text{Acquisition Cost} \\ &= 10\% \times \text{P } 50,000.00 \\ &= \text{P } 5,000.00 \end{aligned}$$

Step 3. Compute for the Remaining Useful Value (RUV)

$$\begin{aligned} \text{RUV} &= (\text{AC} - \text{SV}) \times \frac{\text{R}}{\text{L}} + \text{SV} \\ &= (50,000 - 5,000) \times \frac{0}{20} + 5,000 \\ &= (45,000) \times 0 + 5,000 \\ &= 5,000 \end{aligned}$$

Step 4. Compute for the Currency Fluctuation Factor (CFF)

$$\begin{aligned} \text{CFF} &= \frac{\text{Peso to Dollar rate appraisal year}}{\text{Peso to Dollar rate acquisition year}} \\ &= \frac{\text{P}21.80}{\text{P } 2.50} \\ &= 8.752 \end{aligned}$$

Step 5. Convert Physical Condition to equivalent numerical value using CF Table

$$\text{CF value for POOR} = 0.20$$

Step 6. Compute for the Appraised Value

$$\begin{aligned} \text{APPRAISED VALUE} &= \text{RUV} \times \text{CF} \times \text{CFF} \times \text{No. of units} \\ &= 5,000 \times 0.20 \times 8.752 \times 1 \\ &= \underline{\text{P } 8,752.00} \end{aligned}$$

5.2 Version 2

$$\text{APPRAISED VALUE} = \text{RC} \times \text{CF} \times \text{UF} \times \text{No. of Units}$$

Example No. 1 (Usage Factor = Used)

Given: Year of Acquisition: unknown
Acquisition Cost: unknown
Replacement Cost: P 50,000.00
No. of Units: one (1)
Physical Condition: fair
Usage Factor: used

Step 1. Convert Physical Condition to equivalent numerical value using CF Table

CF value for FAIR = 0.30

Step 2. Convert observed Usage Factor to equivalent numerical value using UF Table

UF (used) value for FAIR = 0.30

Step 3. Compute for the APPRAISED VALUE

$$\begin{aligned} \text{APPRAISED VALUE} &= \text{RC} \times \text{CF} \times \text{UF} \times \text{No. of units} \\ &= \text{P } 50,000 \times 0.30 \times 0.30 \times 1 \\ &= \underline{\text{P } 4,500} \end{aligned}$$

Example No. 2 (Usage Factor = Unused)

Given: Year of Acquisition: unknown
Acquisition Cost: unknown
Replacement Cost: P 50,000.00
No. of units: one (1)
Physical Condition: Very Good
Usage Factor: Unused

Step 1. Convert Physical Condition to equivalent numerical value using CF table

CF value for VERY GOOD = 0.70

Step 2. *UF for unused property is constant*

$$UF = 0.90$$

Step 3. *Compute for the APPRAISED VALUE*

$$\text{APPRAISED VALUE} = RC \times CF \times UF \times \text{No. of units}$$

$$= P 50,000 \times 0.70 \times 0.90 \times 1$$

$$= \underline{P 31,500.00}$$

5.3 Version 3

$\text{APPRAISED VALUE} = RC \times AF \times CF \times \text{No. of Units}$
--

Given: Year of Acquisition: 1975
 Year of Disposal: 1991
 Acquisition Cost: unknown
 Replacement Cost: P 50,000.00
 Estimated Service Life: 20 years
 No. of units: one (1)
 Physical Condition: Satisfactory

Step 1. *Convert Physical Condition to equivalent numerical value using CF Table*

CF value for SATISFACTORY = 0.50

Step 2. *Compute for the Depreciation (D)*

$$D = \frac{L - AS}{L}$$

$$= \frac{20 - (1991 - 1975)}{20}$$

$$= \frac{20 - 16}{20}$$

$$= 0.20$$

Step 3. Convert Depreciation (D) to equivalent Age Factor (AF) value using AF Table

AF value for D = 0.20 is row 13 of AF Table:

<u>If D is:</u>	<u>Value of AF is:</u>
$0 < D < 0.50$	$D + 0.400$

Thus,

$$\begin{aligned} \text{AF} &= D + 0.400 \\ &= 0.20 + 0.400 \\ &= 0.60 \end{aligned}$$

Step 4. Compute the APPRAISED VALUE

$$\begin{aligned} \text{APPRAISED VALUE} &= \text{RC} \times \text{AF} \times \text{CF} \times \text{No. of units} \\ &= \text{P } 50,000 \times 0.60 \times 0.50 \times 1 \\ &= \underline{\text{P } 15,000.00} \end{aligned}$$

F. Setting of Minimum Value

- 1.0 Once all items listed in the I & I, RWM or IRP have been computed, and the Total Appraised Value is determined, an Appraisal Report shall be prepared by each representative, and forwarded to the requesting agency through the Disposal Committee Chairman for appropriate consideration.
- 2.0 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:
 - 2.1 the highest appraised value submitted by a Committee member
 - 2.2 the average of the submitted appraised values plus 10%
- 3.0 The minimum value shall be set depending on how the property shall be sold i.e., by piece, by lot or by all lots.

- 4.0 The minimum value set shall be good only for six months. If the property remains unsold after six months, a reappraisal must be conducted.

G. Modes of Disposal

The Disposal Committee shall recommend to the head of the agency the proper mode of disposal. Property may be disposed in any of the following modes, as appropriate and deemed most advantageous to the government.

1.0 *Condemnation/Destruction of Property*

Valueless, unsalable or hazardous property may be condemned and destroyed by pounding, burning, 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.

2.0 *Transfer of 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. Transfer shall be done either with or without cost. Cost in this case refers to payment based on the appraised value of the property.

In effecting the transfer of property, the Invoice Receipt for Property (IRP or General Form No. 30-A) must be prepared by the owning agency and transmitted together with the property to the recipient or requesting agency.

3.0 *Barter*

Barter is a modified form of Transfer of Property wherein an agency transfers property to another government agency in exchange for another piece of property. The value of the property being transferred may or may not be equivalent to that being received.

In effecting barter of property, the Invoice Receipt of Property (IRP or General Form No. 30-A) shall be prepared by each party and transmitted together with the property to the other party.

4.0 *Donation of Property*

Property recommended for disposal may be donated to charitable, scientific, educational or cultural associations on exceptional and meritorious cases with the approval of the COA and the DBM.

5.0 **Sale of Property**

- 5.1 **Public Bidding.** As a general rule, the disposal of government property shall be through sale by *public bidding*. Public bidding may be done through sealed public bidding or when circumstances warrant, by *viva voce*.
- a. **Sealed Public Bidding.** Sealed public bidding is characterized by the submission of sealed bids by prospective buyers, whereby the time, date and place of opening of bids is indicated in the Invitation to Bid; the evaluation of bid tenders by the Disposal Committee; and the awarding to the highest complying bidder. The detailed procedures in public bidding are described in PART III.
 - b. **Viva Voce.** Disposable property of insignificant value or such nature that requires immediate disposal shall be sold through public auction by *viva voce* to be conducted by the Disposal Committee. Other situations/cases for *viva voce* are those involving the disposal of waste materials and/or spare parts of insignificant value.
- 5.2 **Negotiated Sale.** Negotiated sale is another mode of sale of property which is resorted to as a consequence of failed public bidding. [Details on this are described in PART III]

H. **Dropping from the Books of Accounts**

Upon disposal of property, the pertinent portions of the Inventory & Inspection Report, Report of Waste Materials or Invoice-Receipt for Property, whichever are applicable, shall be accomplished. These reports shall be the basis for dropping the property from the books of accounts and for taking up the proceeds from sale of property.

PART III

GUIDELINES/PROCEDURES IN THE SALE OF PROPERTY

A. Prebidding Requirements

1. *Preparation of the Invitation to Bid (ITB).* The ITB is prepared by the owning agency and signed by the agency head or any authorized official. The ITB must contain the following:
 - a. The name of the owning agency;
 - b. Sufficient descriptive information on the items/lots for bidding, such as:
 - location of the property to be disposed
 - quantity
 - name of items
 - specifications, where necessary
 - c. Date, time and place of pre-bidding conference, if necessary;
 - d. Date, time and place of submission and opening of bids;
 - e. Information on bidding requirements such as accomplishment of the bid tender, submission of bid bonds, terms of payment and claims, among others.
 - f. Reservation or option on the part of the government to accept or reject any or all bids.
3. *Publication of the ITB.* The ITB must be published in a newspaper of general circulation if the cost of such publication does not exceed 50% of the value of the property. Otherwise, substitute publication may be availed of, by posting copies of the ITB in conspicuous public places in the area where the property is located or where the bidding will be conducted. Copies of the ITB may also be sent by mail or personal delivery to prospective bidders.
4. *Schedule of Bidding.* Bidding shall be scheduled on a date not less than seven (7) working days from date of issuance/publication/posting of the ITB.

B. Who may Participate in Public Bidding

Any person, partnership or corporation complying with the prescribed rules and regulations may participate in the sale by public bidding.

C. Accomplishment and Submission of Bids

1. *Preparation of the Bid Tender.* Any qualified bidder shall accomplish his Bid Tender, clearly indicating the following, among others:
 - a. The description of the items/lots with the corresponding bid offer clearly indicated in figures and in words
 - b. The name and signature of the bidder
 - c. The business or residence address of the bidder
 - d. The business license number or Residence Certificate number of the bidder
 - e. Terms and conditions offered regarding bidders bond, payment, default and delivery
2. A bidder shall accomplish the Bid Tender in at least three (3) copies, preferably typewritten. Bid tenders should be properly signed and submitted to the Chairman of the Disposal Committee on or before the time scheduled for the opening of the bids. The envelope containing the bid tender should be sealed and addressed properly and correctly.
 - 2.1. If the items are being sold by lots, bidders shall submit bid tenders for different lots in separate envelopes.
 - 2.2. If the items are being sold by lots and all lots where interested buyers may offer a bid for each lot or a single bid for all lots, the bid tender shall be submitted in only one envelope.
3. Erasures or interlineations should be avoided or duly initialed by the bidder.

D. Bid Bond

1. Bid bond per item/lot, as the case may be, which shall accompany the bid tender or is presented at the time of the opening of bids, shall be required from each bidder and should be at least 10% of the minimum bid price set by the government.
2. Bid bonds should be in the form of cash, manager's check, or cashier's check acquired from a reputable bank within the area where bidding is to be held.

E. Defective Bids

Bids that are not in prescribed form (e.g. unsigned bids) and/or those not accompanied or guaranteed by bid bonds at the time of opening bids are considered defective bids.

Defective bids are automatically disqualified. However, exceptional cases may occur where a defective bid may be favorably considered by the Disposal Committee. The defective bid may then be rectified in the presence of the bidders and members of the Disposal Committee.

F. Withdrawal of Bids

1. A bidder may be allowed to withdraw a bid tender before the time of opening of the bids. His bid shall be returned unopened.
2. After the opening of the bids, no bidder shall be allowed to withdraw his offer unless the following conditions are met:
 - a. There is a mistake in the offer.
 - b. The mistake refers to the object or principal conditions of the proposal.
 - c. The reason for such mistake must be conclusive and convincing.

G. Opening of Bids

All bids shall be opened at the time, date and place set in the invitation to bid under the direction of the Disposal Committee and in the presence of the COA Auditor. Bidders or their duly authorized representatives may witness the proceedings.

The bid tender shall be signed by the members of the Disposal Committee immediately after it is opened and announced in order to confirm compliance with the requirements of the bidding.

The bid tenders are filed for safekeeping by the Secretariat of the Disposal Committee.

H. The Abstract of Bids

An Abstract of Bids in triplicate shall be prepared during the bidding proper showing the name of the owning agency, the date, time and place of bidding, names of bidders with their corresponding amount of bid tenders and bid bonds per item/lot, including reason for disqualification where applicable. The Abstract of Bids shall be signed by the members of the Disposal Committee.

The purpose of the Abstract of Bids is to show in matrix-summary form the individual bidders, their bids and bid bonds per item/lot, and the confirmation of the Disposal Committee. Each member of the Committee shall be provided with a copy of the Abstract of Bids.

I. Unsuccessful Bidding

If the sale through public bidding is unsuccessful, a rebidding shall be scheduled. Bidding may be declared unsuccessful in any of the following cases:

- a. There is no bidding participant
- b. Only one (1) bidder submitted a bid tender for each lot.
- c. All bidders failed to comply with the terms and conditions prescribed in the Invitation to Bid.
- d. Complying bidders failed to meet the minimum bid price.

In case of failure of the second bidding, the Disposal Committee may dispose of the property through negotiation.

J. Negotiated Sale

In case the second public bidding fails, the property may be sold at a private or negotiated sale. Negotiation within one (1) month from the date of the second failed bidding shall be done with the bidders of the first and/or second failed bidding and other prospective bidders (such as those who obtained bid forms but did not submit bid tenders) at a price not lower than 80% of the appraised value. If negotiation is done after one (1) month, participants in the negotiation shall be expanded to include other potential buyers aside from those abovementioned.

If negotiation shall take place after six (6) months from date of second failed bidding, the property should be reappraised and sold at not lower than 90% of reappraised value.

Bid bonds shall be required from all participants in the negotiation.

K. Awarding of Bids

1. Award shall be given to the highest complying bidder.
2. When two or more complying 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.

3. Awarding of bids should be done immediately after the opening of bids, if practicable. Bid bonds of losing bidders shall be returned immediately after the announcement of the winning bidder.
4. In case of deferment of award, a temporary receipt shall be issued by the agency to acknowledge submission of bid tenders. Once the Disposal Committee completes its deliberations and determines the winning bidder, bid bonds of losing bidders shall be returned upon presentation of the receipt immediately after awarding of the winning bidder. Deferment of award shall not exceed five (5) working days from date of opening of bids.

L. Payment

1. Upon determination of the awardee, 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, cashier's check or manager's check of a reputable bank within the area where the bidding was held. Full payment shall be made within five (5) working days from the date of the notice of award.
2. In case of failure of full payment within the prescribed period, the awardee may be penalized through cancellation of the award and forfeiture of the bid bond in favor of the government.

M. Claiming of Award

1. Claims shall be made only by the awardee, after the bid price is fully paid as evidenced by an official receipt. It shall be effected in the presence of the reporting accountable officer or his duly authorized representative and witnessed by the Disposal Committee.
2. The property officer of the owning agency shall accomplish a tally-out sheet as evidence of actual delivery. The tally-out sheet shall be signed by authorized agency official and the buyer acknowledging receipt of the items.
3. Claims shall be made only during official government working hours.
4. Claims shall be made within the period fixed 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 the effect of cancellation of the award/contract. The awardee shall then be charged storage fees and other incidental fees/costs or damages, i.e., costs 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 through whatever manner the Disposal Committee deems most advantageous to the government.

N. Taxes, Customs Duties, Costs or Charges

The buyer of disposable property shall pay, in addition to the purchase price, any taxes, customs duties, costs or charges of any kind or nature whatsoever levied, or to be levied in connection with the sale of property. All expenses incidental to the withdrawal of the property shall be borne by the awardee.
