



Department of Budget and Management
GOVERNMENT PROCUREMENT POLICY BOARD
TECHNICAL SUPPORT OFFICE

NPM No. 59-2012

14 May 2012

DR. EUGENIA L. LAGMAY

Executive Director

PASIG RIVER REHABILITATION COMMISSION (PRRC)

5th Floor, Triumph Building,

1610 Quezon Avenue, Quezon City

Re: BAC Chairman and Approving Authority for Disbursement Vouchers

Dear Executive Director Lagmay:

We respond to your letter dated 29 March 2012, requesting for clarification as regards Section 11.2.5 of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) 9184, which states that in no case shall the Head of the Procuring Entity (PE) and/or the approving authority be the Chairman or a member of the Bids and Awards Committee (BAC).

As represented, the Chairman of the PRRC sits as the Head of the Procuring Entity (HOPE) and signs all awarded contracts/purchase orders (PO) for procurements above Php500,000. In her capacity as HOPE, she appointed the Executive Director of PRRC as Chairperson of the BAC, and likewise authorized the same to sign disbursement vouchers for payments above Php500,000 to Php5,000,000. It is inquired now whether Section 11.2.5 of the IRR applies to the person authorized to sign disbursement vouchers.

The Generic Procurement Manuals¹ provide that the approving authority contemplated under Section 11 of RA 9184 and its IRR refers to the official who approves procurement transactions. Moreover, as discussed in a previous opinion², we stated that the prohibition under Section 11.2.5 is intended to avoid any conflict of interest between the person who undertakes procurement and the one approving said transactions. Consequently, it does not apply to approving authorities where this conflict of interest is not present.

In relation to this, the Commission on Audit (COA) Circular No. 2003-004³ prohibits the Chief Accountant and personnel of accounting units to be regular members of the Bids and Award Committees as it is also necessary to ensure that the procurement and payment functions are segregated, in keeping with the rules and principles of good internal control and to avert the possibility of the conflict of interest, as prohibited under the rules.

¹ Guidelines on the Establishment of Procurement Systems and Organizations (Volume 1), dated June 2006

² NPM 024-2011, dated 26 December 2011, citing NPM 011-2010, dated 22 April 2010.

³ Issued on July 30, 2003

The rationale behind the prohibition in COA Circular 2003-004 is applicable to the case of an official authorized to sign disbursement vouchers. The procurement functions as BAC member exposes the official to influence in terms of verifying that supporting documents are complete and proper; that funds are available; that there are valid grounds to approve and sign the disbursement vouchers;⁴ or that there is reason to cause the immediate release of funds for a particular procurement.

Hence, we reiterate our view in an earlier opinion⁵ that the term “approving authority” in Section 11.2.5 of the IRR and the Generic Procurement Manual includes a person who undertakes payment since the approval contemplated therein also includes approval of disbursements. Therefore, it is important for the procuring entity to make a determination whether the official designated as the approving authority for the subject contracts is also the same officer who has the authority to approve payment for the same contracts. In both instances, said official cannot be appointed as the BAC Chairman to avoid conflict of interest and to maintain the integrity of the procurement process and contract implementation.

We hope that our advice provided sufficient guidance on the matter. Please note that this opinion is being rendered on the basis of the facts and particular circumstances, as represented. Should you have additional questions, please do not hesitate to contact us.

Very truly yours,


DENNIS S. SANTIAGO
Executive Director III

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⁴ Manual on the New Government Accounting System For National Government Agencies

⁵ NPM 005-2010, dated 3 February 2010