



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

NPM No. 42-2011

28 December 2011

LT. COL. JOSE M. SOMBILLO (RET)

President and General Manager

MASADA SECURITY AGENCY, INC.

Room 310 Señor Ivan de Palacio Building

139 Malakas corner Matalino Streets

Diliman, Quezon City

**Re: Detailed Cost Breakdown of Financial Bid Form
for Procurement of Security Services**

Dear Lt. Col. Sombillo (Ret):

We refer to your letter dated 15 September 2010 seeking guidance on whether the Social Security System's Bids and Awards Committee (SSS-BAC) may omit the retirement pay benefits required under Section 19 (a) (5)¹ of the Implementing Rules and Regulations (IRR) of Republic Act (RA) 5487 as reiterated in Government Procurement Policy Board (GPPB) Circular 02-2006² relative to the agencies' procurement of security services.

As you have noted in your letter, Section 19 (a) (5) of the IRR of RA 5487 requires private security agencies to ensure that separation and retirement pay benefits due their respective security personnel are duly paid. In addition, the same section provides that the amount prescribed therein shall be earmarked and set aside for the purpose; and thus, should be segregated from the monies received by private security agencies from its clients as an amount reserved for the remuneration of their guards or detectives.

Moreover, GPPB Circular 02-2006 clarifies under Section 4 thereof that all private security agencies participating in the bidding for government contracts may offer different bid prices without being charged of cut-throat competition, provided that they do not go below the standard salaries and benefits for the guards and the mandated taxes in the minimum cost distribution formula. Furthermore, Section 5 of the same circular advises government agencies to require bidders to indicate in their financial proposal the itemized components of the minimum cost distribution formula to facilitate the evaluation of bids.

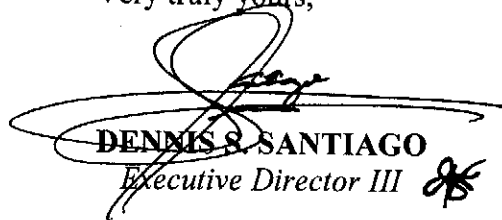
¹ As amended by Philippine National Police (PNP) Study Committee Resolution 01-2005, dated 28 November 2005, approved by the Chief, PNP on 21 February 2006.


² Dated 10 April 2006.

Considering the foregoing, we are of the view that the requirement under Section 19 (a) (5) of the IRR of RA 5487 cannot be omitted by procuring entities from the detailed cost breakdown of the financial bid form used for the procurement of security services.

We hope our advice provided sufficient guidance on the matter. 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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