



Republic of the Philippines
Department of Education
REGION X – NORTHERN MINDANAO
SCHOOLS DIVISION OF MISAMIS ORIENTAL

Office of the Schools Division Superintendent

March 21, 2024

DIVISION MEMORANDUM

No. 189 s. 2024

REVISED MANUAL ON THE DISPOSAL OF GOVERNMENT PROPERTIES

To: **Division Appraisal and Disposal Committee**
Public Schools District Supervisors
Elementary & Secondary School Heads
District And School Property Custodians
All Others Concerned
This Division

1. Pursuant to COA and DBM Joint Circular No. 2024-1, dated January 30, 2024, the field is hereby informed on the ***“Revised Manual on the Disposal of Government Properties”***.
2. Attached is the COA and DBM Joint Circular No. 2024-1, dated January 30, 2024, Component Rating Table (Annex A), for reference and guidance.
3. Immediate dissemination and strict compliance with this Memorandum is desired.

MARY ANN M. ALLERA
Assistant Schools Division Superintendent
Officer In-charge
Office of the Schools Division Superintendent

MMA





**COMMISSION ON AUDIT (COA)
DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)**

Joint Circular No. 2024-1

Date: January 30, 2024

To: **All Heads of National Government Agencies, State Universities and Colleges (SUCs), Government Corporations (GCs) and their Subsidiaries, Local Water Districts (LWDs), Local Government Units (LGUs), and All Others Concerned**

Subject: **REVISED MANUAL ON THE DISPOSAL OF GOVERNMENT PROPERTIES**

1.0 Background

- 1.1 With the abolition of the Supply Coordination Office (SCO) under the then General Services Administration pursuant to Executive Order (EO) No. 285¹ dated 25 July 1987, the function of disposal of obsolete, forfeited, abandoned, and surplus supplies, materials, and equipment has been transferred to the different departments and line agencies.
- 1.2 Pursuant to said EO, the DBM issued National Budget Circular (NBC) No. 425 dated 28 January 1992 prescribing the Manual on the Disposal of Government Property to guide the agencies concerned in their disposal undertakings.
- 1.3 In preparing said Manual, the DBM took into consideration the then existing laws and policies governing disposal, the guidelines issued by the defunct SCO, and the pertinent rules and regulations issued by the COA. Relatedly, said Manual also considered the results of the observations of the then Systems and Procedures Bureau of the DBM and the exposure of the DBM Regional Offices to disposal activities.

¹ Abolishing the General Services Administration and Transferring Its Functions to Appropriate Government Agencies

- 1.4 With the developments in the supply and property management practice in the years following the issuance of NBC No. 425, the DBM, together with the Government Procurement Policy Board - Technical Support Office, started to review NBC No. 425 and commenced consultations with the COA to ensure the alignment of the disposal guidelines to pertinent COA issuances.
- 1.5 In the review/revisiting of the Manual, the inputs from various stakeholders² were also taken into consideration to ensure that the revision of the same would reflect the current practices and trends in the management of government properties, while remaining in adherence with existing laws and consistent with the government's commitment to its social, economic and environmental sustainability goals.

2.0 Policy Statement

- 2.1 The proper disposal of government properties is an equally important part of the asset lifecycle. The Philippine Government Asset Management Policy,³ in accordance with EO No. 292⁴ dated 25 July 1987, stipulates that all resources of the government shall be managed, expended, or utilized in accordance with laws, rules and regulations, and shall be safeguarded against loss or wastage through illegal or improper disposition to ensure efficiency, economy, and effectiveness in the operations of the government.
- 2.2 Furthermore, systematic and timely disposal proceedings are essential to avoid further deterioration of the properties and consequent depreciation in their value. It would ensure the elimination of the continuing storage costs of the government, relieve accountable employees from unnecessary or excess accountability, and effectively decongest government offices.
- 2.3 The heads of agencies/offices have the authority and responsibility to ensure the judicious management of government properties and undertake the systematic disposal of properties/supplies/materials that are already unserviceable, obsolete, or no longer needed by the agency.

² Namely, the Office of the President, Department of Information and Communications Technology, Department of Environment and Natural Resources, Department of Health, Department of Foreign Affairs, Land Bank of the Philippines, Development Bank of the Philippines, and the Home Development Mutual Fund

³ Issued through DOF-DBM-NEDA Joint Memorandum Circular No. 2020-1 dated 24 September 2020

⁴ Section 1, Chapter 1, Subtitle B, Book V of the Administrative Code of 1987

3.0 Purpose

- 3.1 The revised Manual on the Disposal of Government Properties, herein attached and made an integral part hereof, sets the guidelines for the disposal of government properties. It provides the necessary requirements that government agencies must adhere to prior to commencement of disposal activities. It also identifies the duties and responsibilities of accountable personnel, as well as the procedures and methods in the conduct of disposal.
- 3.2 The revised Manual aims to support the government's social, economic, and environmental sustainability goals pursuant to the United Nations Sustainable Development Goals. This shall support the mainstreaming of the practice of identifying the necessary and appropriate properties and equipment to be procured to satisfy a predetermined need; utilize the properties to their full potential; and dispose of said properties upon the end of their useful life to ultimately save the government from unnecessary expenditures and help maximize savings.
- 3.3 The revised Manual does not cover the management and disposal of real properties as the same are covered by other existing pertinent guidelines.

4.0 Scope and Coverage

- 4.1 The guidelines prescribed herein shall apply to all departments and agencies under the Executive Branch, including their regional and field offices, SUCs, GCs and their subsidiaries, LWDs, and LGUs.
- 4.2 The Legislature, Judiciary, Constitutional Commissions, and the Office of the Ombudsman are strongly encouraged to adopt the provisions of the revised Manual.

5.0 Resolution of Issues

Issues and concerns related to general asset management shall be referred to and resolved by the DBM, while all other cases not covered by the provisions of this Joint Circular (JC) and the revised Manual on the Disposal of Government Properties shall be submitted to the COA and the DBM for joint resolution.

6.0 Policy Review

This JC and the revised Manual on the Disposal of Government Properties shall be reviewed by the COA and the DBM every five (5) years to ensure that they remain relevant to address emerging issues and concerns.

7.0 Separability

If any provision of this JC and the revised Guidelines on the Disposal of Government Properties is declared void or unconstitutional, the remaining provisions not affected thereby shall continue to be in full force and effect.

8.0 Repeal

NBC No. 425 and the old Manual prescribed thereunder are hereby repealed accordingly. Provisions of existing guidelines, rules, and regulations issued by the COA and the DBM that are inconsistent with this JC and the revised Manual on the Disposal Government Properties are likewise hereby amended, modified, and/or repealed accordingly.

9.0 Effectivity

This JC shall take effect upon its publication in the Official Gazette or in a newspaper of general circulation. Three (3) certified true copies of this JC shall be filed with the University of the Philippines Law Center - Office of the National Administrative Register.


GAMALIEL A. CORDOBA
Chairperson, COA




AMENAH T. PANGANDAMAN
Secretary, DBM



COMPONENT RATING TABLE

A. VEHICLES		
	%	
Engine	23	
Body and Chassis	35	
Transmission	7	
Differential	5	
Others	30	
B. PASSENGER BUS		
	%	
Body and Chassis	41	
Engine	25	
Transmission	7	
Differential	5	
Others	22	
C. HEAVY EQUIPMENT		
<u>Grader</u>		
	%	
Body and Chassis	35	
Engine	25	
Transmission	20	
Others	20	
<u>Bulldozer</u>		
	%	
Body and Chassis	35	
Engine	25	
Differential	11	
Transmission	8	
Others	21	
<u>Dump Truck</u>		
	6 Wheeler	10 Wheeler
	%	%
Body and Chassis	25	25
Engine	19	19
Differential	9	14
Transmission	9	9
Others	38	33

* Annex 3 (with pages 16 to 20) of the Commission on Audit - Technical Services Office Revised Guidelines on the Review of Appraised Value of Property Intended for Disposal other than Real Estate, Antique Property, and Works of Art, approved on January 24, 2023

<u>Concrete Mixer</u>	%
Engine	45
Mixing Drum	35
Body/Chassis/spring/tires/etc.	20

<u>Crane Crawler</u>	%
Engine	25
Upper Machinery	30
Track group	25
Body/chassis	10
Others, boom bucket, acc.	10

<u>Crane Truck Mounted</u>	%
Engine (2)	35
Upper Machinery	25
Track Group	20
Body Chassis	10
Others, boom bucket, acc.	10

<u>Loader with Backhoe</u>	%
Engine	25
Transmission	20
Body Chassis	30
Bucket, backhoe, tires & hydraulic	25

<u>Loader</u>	<u>Wheel</u>	<u>Crawler</u>
	%	%
Engine	25	30
Transmission	20	25
Body Chassis	35	15
Bucket, tires & hydraulic	20	30

<u>Excavators/Backhoe</u>	%
Engine	25
Hydraulic System (cyl., valves, hose, pipings)	25
Track group	25
Body, frame, arms & boom	20
Others, bucket, etc.	

<u>Farm Tractor</u>	%
Engine	30
Transmission	25

Body-Chassis 20
 Others, tires & attachment 25

Truck Tractor

%
 Engine 30
 Transmission 10
 Differential (tandem) 10
 Body Chassis 25
 Others, tires, spring, elect., etc. 25

Trailer for Jeep

%
 Body, chassis 80
 Wheel, tires, axle 20

Trailer for Truck Tractor
25 tons Capacity

%
 Body Chassis 60
 Wheel, tires, axle 40

Road Roller

	<u>1 Drum</u>	<u>2 Drum</u>	<u>3 Drum</u>
	%	%	%
Engine	50	40	40
Transmission	20	20	25
Drum	15	25	
20(Tire)			
Body Chassis	15	15	15

Roller Vibratory

%
 Engine 40
 Transmission 20
 Drum 25 (including hydraulic system)
 Body Chassis 15

Tractor Crawler

%
 Engine 30
 Transmission Steering 25
 Front Drive
 Track group 30
 Body Chassis/dozer 15

<u>Forklift</u>	%
Engine	35
Transmission	10
Body/Chassis	25
Hydraulic, Tires & others	30
D. AIRCONDITIONING UNIT (WINDOW)	%
Compressor	41
Condenser	14
Evaporator	12
Fan Motor	20
Filter/Drier	3
Others	10
E. TYPEWRITER (MANUAL)	%
Carriage Assembly	48
Type Basket Mechanism	35
Keyboards	11
Others	6
F. DENTAL EQUIPMENT	%
Dental Unit & Chair	62
Air Scaler	14
Air Motor	14
Compressor ¼ HP	5
High Speed	3
Dental Stool	2
G. MOTORCYCLE	%
Engine	23
Clutch, transmission, Sprocket & chain	35
Body/Chassis, shock Absorber & tank	30
Others, wheel tires, electrical	12
H. OTHERS	
<u>Concrete Vibrator</u>	%
Engine	85
Vibrator	15

<u>Pump</u>	%
Engine	65
Pump	35

<u>Generating Set</u>	%
Engine	60
Generator	40

<u>Welding Machine</u>	%
Engine	60
Generator	40

<u>Air Compressor</u>	%
Engine	50
Compressor	30
Body & Others	20

<u>Chainsaw</u>	%
Engine	80
Saw, etc.	20

Computers, tools and devices, furniture and fixtures are appraised based on their scrap value, thus, component rating is not applicable.



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
DEPARTMENT OF BUDGET AND MANAGEMENT



REVISED MANUAL ON THE DISPOSAL OF GOVERNMENT PROPERTIES

2024

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PART I. INTRODUCTION

A. Background and Purpose

- 1.0 Property disposal is the last phase in the asset lifecycle, to wit: Asset Planning, Asset Creation (Acquisition), Operation and Maintenance, Asset Monitoring, Renewal/Rehabilitation, and Disposal.¹
- 2.0 The disposal of properties could be undertaken when, among others, the properties *(i)* are already unserviceable; *(ii)* have reached their estimated useful life; *(iii)* can no longer provide the expected service/output due to obsolescence; or *(iv)* no longer needed, as enumerated under item B of Part II of this revised Manual.
- 3.0 Disposal proceedings shall be immediately initiated to avoid further deterioration of the properties and consequent depreciation of their value. A systematic and timely disposal will yield benefits in terms of, among others, possibility of alternative use, higher appraised value, and enabling storage areas available for other purposes.
- 4.0 The heads of departments/agencies have been authorized under Executive Order (EO) No. 888, s. 1983 to facilitate the disposal of government properties. Together with such authorization, a uniform procedure for the disposal of government properties is herein prescribed.
- 5.0 From acquisition, utilization and maintenance, and disposal of government properties, it is paramount that social, economic, and environmental sustainability are considered. Thus, the revised Manual supports the mainstreaming of the practice of identifying the necessary and appropriate properties and equipment to be procured to satisfy a predetermined need, utilize the properties to their full potential, and dispose of said properties upon the end of their useful life to ultimately save the government from unnecessary expenditures and help maximize savings.
- 6.0 The revised Manual provides the necessary requirements that government agencies must adhere to prior to commencing their disposal activities, and it also identifies the duties and responsibilities of accountable personnel, as well as the procedures and methods in the conduct of disposal activities.

¹ Asset Management 203, Lifecycle Planning, Institute of Public Works Engineering Australasia, 2022

B. Legal Bases

The disposal of government properties is governed primarily by the applicable provisions of the following laws/policies:

- a. **General Appropriations Act (GAA)** - The relevant provision/s of the pertinent GAA on the sale of unserviceable, obsolete or unnecessary equipment, or similar import provision, shall apply to the disposal of government properties;
- b. **Republic Act (RA) No. 6969** - (An Act to Control Toxic Substances and Hazardous and Nuclear Wastes, Providing Penalties for Violations Thereof, and for Other Purposes) dated October 26, 1990 which provides the guidelines on the importation, manufacture, processing, handling, storage, transportation, sale, distribution, use, and disposal of all unregulated chemical substances and mixtures in the Philippines, including the entry, even in transit, as well as the keeping or storage and disposal of hazardous and nuclear wastes into the country for whatever purpose, which includes the regulation of waste electric and electronic equipment (e-waste);
- c. **RA No. 9003** (Ecological Solid Waste Management Act of 2000) dated January 26, 2001 which provides the policy framework, institutional mechanisms and incentives, declaration of prohibited acts and penalties to support the implementation of an ecological solid waste management program. The program focuses on solid waste avoidance, volume reduction, and the adoption of best environmental practice in ecological waste management;
- d. **Executive Order (EO) No. 285** (Abolishing the General Services Administration and Transferring Its Functions to Appropriate Government Agencies) dated July 25, 1987 which provides the abolition of the General Services Administration and transfer of its functions to different government agencies, such as the Department of Budget and Management (DBM), Department of Environment and Natural Resources (DENR), and Department of Public Works and Highways (DPWH);
- e. **EO No. 309** (Reconstituting the Disposal Committee Created under EO No. 285) dated March 8, 1996 which reconstitutes the Disposal Committees created under EO No. 888, s. 1983, as amended by EO No. 285, s. 1987, in each department, bureau, office or agency;
- f. **EO No. 888** (Authorizing Ministers and Heads of Ministries/Agencies to Dispose of Their Respective Unserviceable Equipment and Disposable Property) dated March 18, 1983 which provides the authority of ministries (now departments/agencies) to dispose their respective unserviceable properties, as well as the modes in the disposal of the same;

- g. **Presidential Decree (PD) No. 1445** (Government Auditing Code of the Philippines) dated June 11, 1978, specifically Section 79 thereof which provides the guidelines for the destruction or sale of unserviceable properties;
- h. **Commission on Audit (COA) Circular No. 89-296** (Audit Guidelines on the Divestment or Disposal of Property and Other Assets of National Government Agencies and Instrumentalities, Local Government Units and Government-Owned or -Controlled Corporations and Their Subsidiaries) dated January 27, 1989 which provides the audit guidelines on the divestment or disposal by government of properties and other assets, as well as the authority or responsibility for property disposal, modes of divestment and audit procedure on the matter;
- i. **COA Circular No. 2003-007** (Revised Estimated Useful Life in Computing Depreciation for Government Property, Plant and Equipment) dated December 11, 2003 which provides the policies and guidelines on the computation of depreciation of government properties, plant, and equipment (PPEs); and
- j. **COA Circular No. 2015-007** (Prescribing the Government Accounting Manual for Use of All National Government Agencies) dated October 22, 2015 which provides, among others, the general provisions, basic standards, policies, specific guidelines and procedures for each standard, and the illustrative entries for typical transactions of national government agencies (NGAs), including the disposal of government properties.

C. Coverage

- 1.0 The guidelines prescribed in this revised Manual shall apply to all departments and agencies under the Executive Branch, including their regional and field offices, state universities and colleges (SUCs), government corporations (GCs) and their subsidiaries, local water districts (LWDs), and local government units (LGUs).
- 2.0 The Legislature, Judiciary, Constitutional Commissions, and the Office of the Ombudsman are strongly encouraged to adopt the provisions of this revised Manual.

D. Scope of Guidelines

- 1.0 These guidelines shall cover government properties as defined under item E (s) of Part I of this revised Manual.
- 2.0 The disposal of the following properties is likewise covered by this revised Manual, which shall be done in coordination with the appropriate government agencies:
 - 2.1 Museum materials acquired and preserved solely for exhibition and antique properties and works of art, which shall be referred to the National Museum for the determination of their appraisal and disposal values;
 - 2.2 Documents submitted for copyright, in coordination with the National Library of the Philippines; and
 - 2.3 Models submitted in connection with applications for patents, in coordination with the Intellectual Property Office.
- 3.0 The following properties are excluded from the coverage of this revised Manual:
 - 3.1 Real properties, which shall be governed by a separate guidelines on the matter;
 - 3.2 Public records, which shall be governed by the guidelines issued by the National Archives of the Philippines, as mandated under RA No. 9470² dated May 21, 2007; and
 - 3.3 Imported properties consigned to the Government of the Philippines (GOP) through government agencies, e.g., as a result of foreign aid, when ownership has not been transferred to the GOP.

In such cases, the contract between the GOP and the consignor shall prevail, or in the case of a foreign government as the consignor, said government's rules on disposal shall be adhered to.

² National Archives of the Philippines Act of 2007

E. Definition of Terms

The following terms, as used in this revised Manual, are defined, as follows:

- a. **Abandoned Properties** - movable properties found in the premises of the government agency without a known owner.
- b. **Acquisition Cost** - the price or amount at which the properties were acquired or purchased.
- c. **Actual Service** - age of the properties from the date of purchase, or the difference between the year of disposal and the acquisition year.
- d. **Appraisal** - the process of computing the value of properties to be disposed of, to be able to set the government's minimum selling price.
- e. **Beyond Economic Repair** - when the cost of repair and maintenance becomes prohibitive and disadvantageous to the government, such that it would exceed 50% of its current market value and considering such factors as:
 - Maintenance expense
 - Downtime
 - Replacement cost of spare parts
 - Frequency of breakdown
 - Alternative modes, such as rental of equipment or outright replacement
- f. **Condition Factor** - the adjustment factor used to consider the actual condition of the properties under appraisal through an evaluation of the state or the condition of the major components of such properties relative to an ideally functioning model. The condition factor is usually estimated based on the component and condition rating of the properties.
- g. **Current Market Value** - the price estimated which the properties will bring if exposed for sale in the open market, allowing reasonable time to find a buyer who buys with knowledge of the actual condition and utility of the properties.
- h. **Currency Fluctuation Factor, or Peso to Dollar Rate Appraisal Year over Peso to Dollar Rate Acquisition Year** - U.S. dollar reference rate relative to the Philippine Peso at the time of appraisal/acquisition.
- i. **Direct Negotiation** - a mode of disposal where a single buyer is directly contacted to buy the properties for disposal. Usually resorted to when the market is limited and a single buyer is willing to pay the reserve price for the properties,

especially if the item for disposal is identified to be sensitive in nature, or if said mode of disposal is the most logistically efficient.

- j. **Economically Repairable** - can be rehabilitated and maintained at a cost economical to the agency, considering the five (5) factors mentioned in item (e) above.
- k. **Effective Remaining Useful Life (ERUL)** - the difference between the Estimated Useful Life and the number of years of actual service of the properties. The appraised value shall be the absolute value of the properties to be disposed if the computed ERUL is equal to or less than one (1).
- l. **Equipment** – properties used in day to day operations, other than land, structures and fixed facilities, having a useful life of more than one (1) year and costing above Fifty Thousand Pesos (PhP 50,000.00).³
- m. **Excess Properties** - that which are beyond the requirement of the owning agency but may still be needed by some other government agencies or entities. However, as a rule, agencies should not have excess or surplus properties.
- n. **Estimated Useful Life (EUL)**- estimated period of time (in years) for which the properties are anticipated to be useful assuming normal utilization.
- o. **Expendable Properties** - properties which are consumed, lose their identity, or become an integral part of other properties when put to use or have an expected useful life of less than one (1) year, such as materials and supplies.
- p. **Floor Price** - the minimum price set by the Disposal Committee which shall not be less than the appraised value of the property for disposal.
- q. **Forfeited Properties** - acquired by summary process or by order of the court or quasi-judicial body pursuant to any law in the Philippines.
- r. **Fund Cluster** - an aggregation of Funding Sources for the purpose of recording transactions and preparing reports in the budget, treasury and accounting processes.
- s. **Government Properties** - as used in this revised Manual, refer to movable or personal properties, such as supplies, materials, and equipment purchased, owned, or otherwise acquired, including those donated to, stocked, and used by the government in its operations, which can be transported from place to place without impairment of the real properties to which they are fixed.

³ COA Circular 2022-004 (Guidelines on the Implementation of Section 23 of the General Provisions Republic Act No. 11639 also known as the General Appropriations Act for Fiscal Year 2022 relative to the increase in the capitalization threshold from PhP 15,000.00 to 50,000.00) dated May 31, 2022

- t. **Junk Value** - price of scrap or junk metal/lumber/plastic prevailing in the local market.
- u. **Materials** - expendable commodities used by the government in the process of manufacture or construction, including parts or remnants from destroyed or damaged fixed assets.
- v. **Negotiated Sale** - a mode of disposal resorted to in case of two (2) failed public auctions.
- w. **Non-expendable Properties** – properties which cannot be consumed, spent, or used up, whose life is more than one (1) year but whose value is more than Fifty Thousand Pesos (PhP 50,000.00).⁴
- x. **Obsolete Properties** - have lost their efficacy either due to technological advancement, change of procedures, reorganization of office, or completion of the project.
- y. **Physical Condition** - the condition of the properties at the time of inspection relative to such observable factors as form, physical state, general appearance, and degree of deterioration/obsolescence, completeness of components, marketability of the properties or components, and other similar observable factors.
- z. **Price Index Factor** - adjustment factor which reflects the changes that occur in the prices of commodities, raw materials, manufactured goods and the like from the year of manufacture to the year of appraisal.
- aa. **Reserve Price** - used in direct negotiation and is the average of floor price (appraised value) and the single buyer's initial offer, provided that the difference is at least more than twenty percent (20%) of the floor price.
- bb. **Residual Value** - equivalent to at least five percent (5%) of the cost of an asset that the entity would currently obtain from the disposal of the asset, after deducting the estimated cost of disposal, if the asset was already of age and in the condition expected at the end of its useful life, unless a more appropriate percentage is determined by the government entity concerned based on its operations.
- cc. **Salvage Value** - equivalent to ten percent (10%) of the acquisition cost of the properties.

⁴ Ibid, 5

- dd. **Scrap/Junk** - fragments of discarded materials that have no value except for the basic material contents and which cannot be reprocessed and re-used for the operation of other government properties.
- ee. **Semi-expendable Properties** - tangible items below the capitalization threshold prescribed by COA guidelines.⁵
- ff. **Sensitive Properties** - properties potentially dangerous to the public safety or security if stolen, lost, or misplaced, or that shall be subject to exceptional physical security, protection, control, and accountability. Examples include weapons, ammunition, explosives, controlled substances, radioactive materials, hazardous materials or wastes, or precious metals.
- gg. **Unserviceable Properties** - that which can no longer be repaired or reconditioned, beyond economic repair, has no more utilization potential, or repairable but no longer needed.

⁵ Ibid., 5

PART II. DISPOSAL ACTIVITIES/PROCESSES

A. Constitution of the Disposal Committee

1.0 Organization

- 1.1 The heads of departments/agencies/GCs/SUCs/LGUs shall constitute a Disposal Committee in their respective organizations, which shall be composed of the following:

Chairperson	An official with a rank or function not lower than an Assistant Secretary for a Department, Director III for an agency lower than a Department, Department Manager for a GC, Department Head I for an LGU, or their equivalent for SUC
Members	Head of the department's/agency's administrative service/division, or head of the GC's/SUC's/LGU's equivalent organizational unit Head of the Property Section/Unit

The heads of regional offices (ROs) and/or field offices (FOs) shall likewise constitute their respective Disposal Committees.

- 1.2 Accordingly, the constitution of the Disposal Committee shall be approved by their respective authorities, as follows:

Government Entity	Approving Authority
Department, RO and/or FO under the Department	Department Secretary
Attached agency, RO and/or FO under the agency	Head of Agency or duly authorized official
GC and SUC	Governing Board or duly authorized official
LGUs	Local Chief Executive

- 1.3 As may be needed, additional personnel may be designated as members of the Disposal Committee, provided that the core composition as stated above shall be retained.

- 1.5 In cases where agencies are still conducting one-time cleansing of their PPEs for the purposes indicated in COA Circular No. 2020-006,⁶ the Disposal Committee shall include representative/s from the previously constituted Inventory Committee, e.g., property, accounting section/unit.

2.0 Powers and Functions of the Disposal Committee

- 2.1 The Disposal Committee shall ensure the speedy process of disposal of properties in accordance with relevant laws, rules and regulations in order to ensure that:

- a. Continuing/carrying inventory costs of the government is eliminated;
- b. Accountable employees are relieved of unnecessary and/or excess accountability; and
- c. Government offices are effectively decongested from properties for disposal.

- 2.2 Specifically, the Disposal Committee shall undertake the following:

- a. Inspect, appraise, and undertake valuation activities as a group or individually;
- b. Set the final appraised value of the properties for disposal;
- c. Determine the appropriate mode of disposal and recommend the same to the applicable authorities as enumerated above for approval;
- d. Undertake the disposal proceedings for the properties, e.g., conduct of public auction, condemnation/destruction of properties, among others, on an "as is, where is" basis;
- e. Ensure that properties for disposal do not include materials not intended for disposal;
- f. Ensure the extraction, proper storage, and security of confidential data stored in information and communications technology (ICT) or electronic equipment before disposal; and
- g. Perform other related functions that may be assigned by the head of the government entity/RO/FO concerned.

- 2.3 The Disposal Committees of the respective government entity may develop their internal rules and procedures (IRP) subject to the approval of the applicable authorities as enumerated in the succeeding item 2.5 hereof, provided that the IRP is consistent with the provisions in this revised Manual.

⁶ Guidelines and Procedures in the Conduct of Physical Count of Property, Plant and Equipment (PPE), Recognition of PPE Items Found at Station, and Disposition for Non-existing/Missing PPE Items, for the One-Time Cleansing of PPE Account Balances of Government Agencies, dated 31 January 2020

In case of inconsistencies between the revised Manual and the IRP, the provisions in the revised Manual shall prevail.

- 2.4 The Disposal Committee of the Central Office shall recommend to the Department Secretary, for approval, the threshold amount and/or parameters for properties of the ROs and/or FOs for disposal that shall be approved at the Department level vis-a-vis those that could be approved at the RO level.
- 2.5 The recommendations of the Disposal Committees for disposal shall be approved by the following:

Office	Approving Authority
NGAs <ul style="list-style-type: none"> • Central Office • RO and FO* • Attached Agency* 	<ul style="list-style-type: none"> • Department Secretary • Head of the RO concerned • Head of the Agency
GCs <ul style="list-style-type: none"> • Central Office • RO and FO* 	<ul style="list-style-type: none"> • Governing Board or its duly authorized official • Head of the RO concerned
SUCs	<ul style="list-style-type: none"> • Governing Board or its duly authorized official
LGUs	<ul style="list-style-type: none"> • Local Chief Executive concerned

**Subject to regular reporting to the Department Secretary/Head of the Agency concerned*

- 2.6 The Disposal Committee Chairperson shall call the meetings of the Committee and initiate the activities in the disposal process. In case of conflicts or differences among the Committee members, especially regarding appraised values, the Chairperson shall make the final decision and the recommendation shall be submitted to the head of the government entity/RO/FO for approval, as the case may be.
- 2.7 The members are authorized to make decisions on behalf of their respective offices during the Committee deliberations.

3.0 Disposal Committee Secretariat and Its Powers and Functions

- 3.1 The Committee shall be assisted by a Secretariat composed of the department/agency unit handling asset management, i.e., Property Division/Section/Unit or its equivalent.
- 3.2 In the absence of the aforementioned, such as in the case of ROs and FOs with a limited number of personnel, the head of the office shall assign existing employees to provide secretariat services to the Disposal Committee.
- 3.3 The Secretariat of the Disposal Committee shall undertake the following:
 - a. Provide technical and administrative support to the Disposal Committee;
 - b. Organize and make all necessary arrangements for the meetings and conferences;
 - c. Prepare the agenda for meetings, as determined by the Chairperson and based on the recommendation of the members of the Committee;
 - d. Prepare minutes of meetings and resolutions of the Disposal Committee and certify the same as true and correct;
 - e. Receive and take custody of documents and other records and ensure that all actions undertaken by the Disposal Committee are properly documented;
 - f. Draft correspondences and other communications for review/signature of the Chairperson;
 - g. Manage the sale and distribution of public auction documents or any other relevant disposition documents to interested bidders;
 - h. Advertise and/or post disposal opportunities;
 - i. Assist in managing the disposal process;
 - j. Monitor activities and milestones for proper reporting to relevant agencies when required;
 - k. Act as the central channel of communications for the Disposal Committee and bidders or buyers, and the general public; and
 - l. Perform other related functions that may be assigned by the Chairperson of the Disposal Committee.

B. Determination of Properties for Disposal

- 1.0 Any of the following conditions shall constitute the properties for disposal:
- a. Properties that have exceeded their estimated useful life in accordance with Sections 27 (f), (g), and (h) of the Government Accounting Manual (GAM);
 - b. Properties that can no longer be repaired or reconditioned;
 - c. Properties which are beyond economic repair;
 - d. Properties that have become obsolete or outmoded because of technological advancements;
 - e. Properties that are still serviceable but have been rendered unnecessary due to change in the agency's mandate, functions, or programs;
 - f. Properties, such as supplies, materials, equipment, and spare parts which are no longer needed by the agency;
 - g. Unused supplies, materials, and spare parts that have become dangerous to use because of long storage or use of which is determined to be hazardous;
 - h. Abandoned properties within the agency's premises; and/or
 - i. Properties issued to government officials/employees who are about to retire, subject to the conditions provided under item I (6.2) and (6.7) of Part II of this revised Manual.
- 2.0 For motor vehicles for land transportation, they may be deemed unserviceable under any of the circumstances specified under pertinent guidelines issued by the DBM.⁷

⁷ The DBM issues the specific guidelines on the approval of request for the acquisition of motor vehicles, the typology, classifications, and specifications of the same, pursuant to Section 9 (a) of Administrative Order No. 14, s. 2018 (Consolidating and Rationalizing the Rules on the Acquisition of Government Motor Vehicles, Adopting a Centralized System of Procurement Thereof, and for Other Purposes)

C. Submission of Documents Pertaining to Properties for Disposal

- 1.0 The Property Division/Section/Unit of government entities/ROs/FOs concerned shall submit to the Disposal Committee the following accomplished forms or equivalent document, as appropriate:
- a. **Inventory and Inspection Report of Unserviceable Property (IIRUP)** - this report shall be used to account for all government properties of an entity that are subject to disposal and serves as the basis for derecognizing the government properties carried in the PPE accounts, which shall be accompanied by any of the following, as the case may be:
 - 1. Individual survey report, duly certified by the Supply Officer and the supervisor of the Supply Officer;
 - 2. List of missing spare parts, duly certified by the Supply Officer and the supervisor of the Supply Officer;
 - 3. Stencils of chassis and engine numbers of motor vehicles; and
 - 4. Current photographs showing all sides of the properties.
 - b. **Waste Materials Report (WMR)** - covers expendable materials, supplies, and consumables, including spare parts, empty containers, and remnants from destroyed or damaged fixed assets.
 - c. **Property Transfer Report (PTR)** - used when there are transfers of properties from one Accountable Officer/Agency/Fund Cluster to another Accountable Officer/Agency/Fund Cluster.

D. Inspection

- 1.0 **Objective.** Inspection is aimed at obtaining a first-hand observation of the physical and operational condition of the properties and its marketability or ability to attract prospective buyers. It is also aimed to supplement the theoretical computations of the value of the properties to be disposed.
- 2.0 **Conduct of Ocular Inspection.** The members of the Disposal Committee may individually or collectively inspect the properties. In the conduct of ocular inspection, the following activities shall be performed, as applicable:
- 2.1 Check the appearance and physical condition of the property if accurate as described in the IIRUP or its equivalent document;
 - 2.2 Check the physical condition/general appearance of the property to compare its depreciation and correct valuation relative to the following:

- a. It being operational, under repair, economically repairable, or beyond economic repair;
 - b. The quality, degree, and extent of maintenance and repair done on the properties;
 - c. It having complete, damaged, worn-out, or missing parts;
 - d. Its general obsolescence and availability, as well as the estimated cost of the spare parts, and the actual repair. If the properties are found to be obsolete, the properties may be appraised as junk; and
 - e. If the properties are properly sheltered or exposed to elements and theft.
- 2.3 Determine the condition factor and verify the capacity, model, year of manufacture, serial number, chassis number, property number, and motor number, among other technical specifications of the property and its accessories, if any;
- 2.4 Check the year of the acquisition or its present age, and the number of years the property has been actually utilized;
- 2.5 Check if the property still has market demand or if there are probable buyers in the locality;
- 2.6 Inspect the location of the property and the available facilities for its transportation;
- 2.7 If the property is to be disposed of as junk, verify parts that could be salvaged or profitably used, e.g., engine, dynamo, wheels, tires, axles, and body or chassis in the case of motor vehicles. This may be done in consultation with persons with technical expertise in utilizing the property.
- 2.7.1 These salvaged parts could either be transferred to or used for another property or serve as spare part.
 - 2.7.2 In cases where there are no other properties which could make use of these salvaged parts, determine if there are available buyers of said parts and if disposing them separately from the property itself would bring the best returns to the agency.

E. Condition Factor and Rating of the Properties

1.0 The Condition Factor is obtained through determining the condition rating of the properties for disposal based on the following:

- Very Good (VG) (80-100%)** - A property is in excellent condition capable of being used to its fully specified utilization for its designed purpose without being modified and not requiring any repairs or abnormal maintenance at the time of inspection or within the foreseeable future.
- Good Condition (G) (55-75%)** - A property has been modified or repaired and is being used at or near its fully specified utilization, but the effects of age and/or utilization indicate that some minor repairs have to be made or that the item may have to be used to some slightly lesser degree than its fully specified utilization in the foreseeable future.
- Fair Condition (F) (35-50%)** - A property is being used below its fully specified utilization because of the effects of age and/or usage, and which requires general repairs and some replacement of minor elements/components in the foreseeable future.
- Poor Condition (P) (15-30%)** - A property can only be used at some point well below its fully specified utilization and it is not possible to realize full capability in its current condition without extensive repairs and/or replacement of major elements in the very near future.
- Scrap Condition (S) (0-10%)** - A property is no longer serviceable and can no longer be utilized in any practicable degree regardless of the extent of the repairs or modifications to which it may be subjected. This condition applies to properties which have used up 100% of their useful life, or which are 100% technologically, functionally, economically or statutorily obsolete.

The gap in percentage allocation is aimed at delineating the factors between condition categories. The four percent (4%) difference in each case clearly sets the limits of percentage range.

- 2.0 Individual components of the properties shall be rated using the above scale. The weighted average of the individual component rating as prescribed by the COA is the condition factor of the properties for disposal. Refer to the Component Rating Table attached as Annex A hereof.
- 3.0 For furniture and non-mechanized implements which have no major components but are treated as a whole unit, the condition factor shall be equal to the condition rating of the whole unit.

F. Appraisal

- 1.0 **Objective.** The objective in computing the appraised value of the properties for disposal is to set the government's minimum selling price so that the government shall receive fair compensation for the items sold.
- 2.0 **General Guidelines on the Conduct of Appraisal.** Regardless of the mode of disposal to be undertaken based on the ocular inspection, the appraised value shall be computed using as the basis the information/data appearing in the IIRUP, WMR, and PTR or their equivalent documents.
- 3.0 In computing the appraised value of the properties for disposal, the following shall be taken into account:
 - a. Properties' actual physical condition and estimated useful life;
 - b. Relevant reference price information, such as:
 1. Acquisition cost;
 2. Current market price of similar properties;
 3. Prices from secondhand rebuilders and reconditioners of properties; and
 4. Currency exchange rates for the acquisition year and the current year;
 - c. Changes in the value of the properties caused by depreciation, obsolescence, changes in the foreign currency exchange rate, and cost of reconditioning, major repairs, or upgrade; and
 - d. In cases where the equipment is declared to be junk, the total estimated weight per lot shall be determined to form the basis of the appraised value. The cost per unit of the properties/supplies inspected will depend on the kind of material appraised.
- 4.0 Unserviceable properties which can no longer be repaired or reconditioned, as well as waste materials, shall be appraised at scrap or junk value.
- 5.0 For unserviceable property which can still be repaired or reconditioned but no longer needed, and which is still functional but no longer needed, shall be appraised based on the following, according to hierarchy:
 - a. Current Market Value (CMV), if such is available; or
 - b. Acquisition Cost (AC), if the CMV is not available.

Under the AC, if the properties were bought in a brand-new condition, the AC shall be adjusted against the observed condition at the time of the appraisal. On the other hand, if the properties were acquired secondhand, its condition at the date of acquisition must be defined before any adjustment is made.

- 6.0 The determination of the Salvage Value of a serviceable component/part of the property shall be based on the hierarchy of available information enumerated in item 5.0 above.
- 7.0 For imported vehicles/mechanized equipment, each component that has no available local replacement shall be treated as junk. The parts which are available in the domestic market shall be appraised based on the available information provided in item 5.0 above.

G. Appraisal Formulae

In the computation of the appraised value, any of the following formulae may be used depending on the information available:

- 1.0 **When the properties are still operational/functional or can be repaired**
 - 1.1 If the **Current Market Value (CMV)** of a comparable property is available:

$$AV = \frac{CMV \times CF1}{CF2}$$

Legend:

AV- Appraised Value

CMV - Current Market Value

CF1 - Condition Factor of the properties being appraised

CF2 - Condition Factor of the advertised/canvassed properties

Notes:

- a. When the CMV and Acquisition Cost (AC) are both available, this formula shall be primarily used.
- b. The CMV shall be taken from advertised prices of used equipment of the same make and model or similar models from newspapers, publications of associations, etc., of general circulation.
- c. There shall at least be three (3) advertised prices for similar properties, the lowest of which shall be considered as the CMV.
- d. The item to be considered for the CMV shall be inspected to determine its condition factor.

1.2 If the **AC** is available, the following formula shall be used:

a. For imported properties

Imports are all goods entering any of the seaports or airports of entry of the Philippines properly cleared through customs or remaining or under customs control, whether the goods are for direct consumption, for merchandising, for warehousing or further processing.⁸

a.1 Imported directly purchased from abroad

$$AV = (AC \times CFF) \times CF$$

a.2 Purchased locally

$$AV = (AC \times CF)$$

b. For locally-manufactured properties

$$AV = (AC \times PIF) \times CF$$

Legend:

AV - Appraised Value

AC - Acquisition Cost

CFF - Currency Fluctuation Factor

$$CFF = \frac{P/\text{dollar exchange rate on year of appraisal}}{P/\text{dollar exchange rate on year of acquisition}}$$

CF - Condition Factor of the properties

PIF - Price Index Factor

$$PIF = \frac{\text{Price Index on year of Appraisal}}{\text{Price Index on year of Acquisition}}$$

1.3 The following shall be observed:

- a. If the Purchase Order or Invoice of the properties is not available, the amount in the Property Acknowledgement Receipt (PAR) or its equivalent document shall be recognized as the AC.
- b. If the PAR, among others, indicates that the properties acquired is "secondhand," the additional expenses incurred, if any, for the reconditioning/rehabilitation of said properties shall be considered by the appraiser in the properties' AC.

⁸ See <https://psa.gov.ph/article/technical-notes-foreign-trade-statistics>

- c. The formula for locally-manufactured properties shall only apply to properties which are 100% sourced locally and no part of which is imported.
- d. Source of Price Index shall be from the Philippine Statistics Authority.

2.0 When the unserviceable properties can no longer be repaired/reconditioned, the appraised value shall computed as follows:

$$AV = \text{Junk Value}$$

2.1 The following shall be observed in computing for AV:

- a. Properties that will be considered as unserviceable shall be supported with History card/record, i.e., Checklist of Unserviceable Vehicles/Heavy Equipment.
- b. The Junk Value shall be based on at least three canvassed prices of similar scrap properties, i.e., metal, plastic or lumber.
- c. Computers and their peripherals shall be appraised based on their junk value due to obsolescence brought about by the rapid change and development in the industry.

3.0 The appraised value set shall be valid only for six (6) months. If the properties remain unsold after six (6) months, a reappraisal must be conducted.

4.0 The Disposal Committee shall decide and recommend, as a collegial body, one appraisal valuation for the properties for disposal.

5.0 When the Disposal Committee cannot decide unanimously on one appraisal valuation, the vote of the majority shall prevail.

H. Modes of Disposal

Properties may be disposed through any of the following modes, as appropriate and deemed most advantageous to the government:

1.0 Condemnation/Destruction of Properties

- 1.1** Valueless, unstable or hazardous properties may be condemned and destroyed by pounding, breaking, shredding, throwing or any other method by which the properties are disposed beyond economic recovery.

- 1.2 The disposal of biohazard materials, such as health care, electronic and chemical waste, shall follow existing laws, rules and regulations, and standards on waste management and disposal, and subject to the issuance of the agencies concerned, as noted in item J of the Part II of this revised Manual, which may include segregation, decontamination, and recycling.
- 1.3 The mandatory removal of usable parts prior to the condemnation/destruction of the properties for disposal must be ensured by the Disposal Committee. The serviceable components or parts of the properties that are transferred, as well as the recipient properties, shall be properly recorded, consistent with the guidelines on recording/inventory of properties.
- 1.4 The condemnation/destruction of the properties shall be made in the presence of a representative/s of the Disposal Committee. A representative of the Commission on Audit shall also be present as an observer. A corresponding WMR or its equivalent shall be prepared by the office concerned to document such condemnation/destruction of properties.

2.0 Transfer of Properties to Another Government Agency

Upon the initiative of the owning agency or submission of request to the owning agency, the properties recommended for disposal may be transferred to another government agency. Said transfer shall be done either with or without cost. Cost in this case refers to payment based on the appraised value of the properties.

In effecting the transfer of the properties, the PTR or its equivalent document shall be prepared by the owning agency and transmitted together with the properties to the recipient or requesting agency.

3.0 Barter

Barter is a modified form of transfer of properties 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, since barter contemplates the exchange of commodities without the use of money and without reference to price.

In effecting barter of properties, the PTR or its equivalent document shall be prepared by each party and transmitted together with the properties to the other party.

4.0 Donation

- 4.1 Properties recommended for disposal may be donated to foreign governments, and local and foreign non-government charitable, scientific, educational or cultural institutions/associations in exceptional and meritorious cases.
- 4.2 The merit of the donation to the abovementioned foreign government and institutions/associations shall be evaluated and approved by the Department of Foreign Affairs (DFA) and DBM upon the submission by the agency of the following documents:
 - a. Justification from the head of agency;
 - b. Agency Disposal Committee Resolution recommending the disposal of the properties;
 - c. Proof of the composition of the Disposal Committee;
 - d. Duly accomplished IIRUP; and
 - e. Certified copy of pertinent procurement documents or other documents as proof of acquisition, as applicable.
- 4.3 In the case of donation to foreign governments or institutions/associations, the DBM shall submit its approval to the donor-agency which shall then refer the same to the DFA before proceeding with the donation.
- 4.4 In the case of donation to local institutions/associations, the DBM shall inform the donor-agency of its approval to proceed with the donation.

5.0 Return to the Supplier/Vendor

- 5.1 The agency may return the property upon reaching the end of its useful life, as determined by the Disposal Committee. The supplier/manufacturer shall pay the procuring entity the residual value of the property, which shall be equivalent to at least 5% of its appraised value.
- 5.2 The agencies may determine the properties that may be returned to the supplier/vendor for disposal.
- 5.3 Said list of items is not exclusive and may be updated/modified by relative issuances. The Bid Documents, Purchase Order/Contract, or Terms of Reference shall include a provision on the matter.

6.0 Sale to Government Officials/Employees of the Agency

- 6.1 When a property has reached the end of its useful life and is already for disposal, said property may be sold to the government official/employee to whom it is issued. Said government official/employee has the right of first refusal and only in case that he/she refuses or fails to buy the property could the same be sold to other employees. Such sale shall be fully documented as basis for recording.

The selling price shall be based on the appraised value of the properties determined through the formula provided in item G of Part II of this revised Manual. Properties that may be sold to employees may include motor vehicles, cellular phones, laptop/desktop computers, and other issued items.

- 6.2 Government officials/employees who are retiring may be allowed to buy properties issued to them even if they have not reached the end of their useful life; provided, that they were issued to the employee at least two and a half (2.5) years or 30 months prior to his/her retirement. Provided, further, that the properties for disposal have already reached half of their useful life based on the estimated useful life of PPE in the GAM or the specific estimated useful life for the said properties.
- 6.3 In case the properties to be disposed are issued to and/or to be purchased by a member/head of the Disposal Committee or by the head of the office/agency, the appraisal value of the item shall be verified by the COA Audit Team.
- 6.4 In the case of properties which are for common use of the employees, e.g., motor vehicles which are intended for the transport of personnel and equipment, the sale of the same would automatically be through an auction within the agency.
- 6.5 Moreover, as applicable, the cost of documentation, i.e., cost of registration and transfer, shall be for the account of the winning bidder or employees who have purchased the properties described in items 6.1 and 6.2 above.
- 6.6 In case there is no winning bidder on the first attempt, said process would be considered a failed auction and the agency concerned may proceed to the conduct of public auction, subject to the guidelines prescribed herein.

6.7 Sale may be made to government officials/employees under any of the following conditions:

- a. Where the assets for disposal are a small number of low-value items which are unlikely to attract public interest;
- b. Where the personal use of assets for disposal would directly improve the performance of the employee in the execution of his/her duties;
- c. In remote locations, where any other mode of disposal would be difficult; or
- d. In case of retiring officials/employees per item 6.2 above.

6.8 The head of the agency, upon recommendation of the Disposal Committee, shall issue the specific guidelines on the sale of properties to government officials/employees consistent with the general guidelines/principles provided herein.

7.0 **Public Auction**

If the primary mode of disposal is through sale, the default shall be through sale by public auction, except for those properties determined as for sale to officials/employees of the government agency, wherein sale to the government official/employee to whom the properties was issued will apply. The properties shall be sold on an "as-is-where-is" basis.

Public auction may be done through either of the following:

- a. Sealed Public Bidding - characterized by the submission of sealed bids by prospective buyers, where the time, date and place of opening of bids are indicated in the Invitation to Auction; the evaluation of auction tenders by the Disposal Committee; and the awarding to the highest complying bidder.
- b. Viva Voce - properties for disposal which are of insignificant value or of such nature that require immediate disposal shall be sold through public auction by viva voce to be conducted by the Disposal Committee. This likewise applies in the disposal of waste materials and/or spare parts of insignificant value.

In case of two (2) failed public auctions, the agency may resort to negotiated sale as a mode of disposal.

8.0 **Negotiated Sale**

Negotiated sale is another mode of sale of properties which could be resorted to as a consequence of two (2) failed public auctions. The details for this mode are indicated in Part III of this revised Manual.

9.0 **Sale of Junk or Scrap and/or Recycling**

This can be resorted to if the following conditions are met:

- a. The cost of administration and maintenance of the government properties is more than the salvage value; and
- b. The selling price for the junk/scrap is not lower than the 10% salvage value of the properties.

If the junk/scrap did not meet such conditions, and is deemed to have little or no commercial value beyond its basic material content and is no longer functional, the same may be delivered to a recycling facility or center, preferably registered with the government and deemed most convenient for the agency.

The mandatory removal of usable parts prior to disposal must be ensured by the Disposal Committee. The serviceable components or parts of the properties that are transferred to another property shall be properly recorded, consistent with the guidelines on recording/inventory of properties.

10.0 **Direct Negotiation**

The agency may directly offer properties for disposal to a prospective buyer in the following instances:

- a. The market is limited and a single buyer who is willing to pay the reserve price has been identified;
- b. National security, public interest, legal or human rights issues or environmental considerations are served by selling to a particular company, group or individual;
- c. A potential buyer is a user of an asset at the time the decision to dispose the asset is made, and it is reasonable to give that person the first option to buy the asset at a market rate;
- d. An asset is located on a potential buyer's premises on a hire or free use basis and it is reasonable to give that person the first option to buy the asset at a market rate.

The head of the agency, upon recommendation of the Disposal Committee, shall issue the specific guidelines on the sale of properties through direct negotiation.

I. Specific Guidelines on the Disposal of Certain Properties

- 1.0 Specific guidelines on the following shall be issued by the agencies concerned, consistent with the general policies and guidelines enunciated in this revised Manual, such as, but not limited to:
 - a. DICT on the disposal of ICT properties;
 - b. DOH on the disposal of hospital properties; and
 - c. DENR on the disposal of hazardous properties.
- 2.0 The DICT and the DOH may likewise coordinate with the DENR on the disposal of ICT and hospital properties, respectively.

J. Dropping from the Books of Accounts

- 1.0 Upon disposal of properties, the pertinent portions of the IIRUP, WMR or PTR or their equivalent documents, whichever is/are applicable, shall be accomplished. These reports shall be the basis for dropping the properties from the books of accounts and for taking up the proceeds from the sale of properties.
- 2.0 In dropping the properties from the books of accounts, the following officials shall have the following responsibilities:
 - a. The Property Officer shall accomplish the pertinent portions of the IIRUP, WMR or PTR, whichever is applicable;
 - b. The accomplished forms shall be submitted to the Head of the Property Section/Unit who shall then report the same to the Disposal Committee; and
 - c. The Disposal Committee shall then issue a certification on the matter and address the same to the Chief Accountant.

PART III. GUIDELINES AND PROCEDURES ON THE SALE OF PROPERTIES

A. Adjustment of Appraised Value When Auction Bids are Low

- 1.0 If the highest auction falls below the floor price, the agency shall:
- a. Determine whether or not the difference is excessive. The amount of deviation of the highest auction from the floor price is considered excessive when it is greater than 10% of the floor price plus the cost of calling another public auction.
 - b. If the difference is not found excessive, the agency shall continue with the sale of the unserviceable properties. If the difference is found to be excessive, the agency shall call for another public auction with the floor price reduced by 10%.
- 2.0 If the second auction fails, i.e., the highest auction is still excessively lower than the reduced floor price, the properties may be sold through negotiated sale.

B. Pre-Auction Requirements

1.0 Preparation of Invitation to Bid (ITB)

ITB shall be prepared by the owning agency and signed by the head of the agency or any authorized official, containing the following:

- a. Name of Agency;
- b. Description of the items/lots for auction, such as the location of the properties, quantity, name of items and specifications;
- c. Date, time and place of pre-auction conference, if necessary;
- d. Date, time and place of submission and opening of auctions;
- e. Information on auction requirements, i.e., auction tender, submission of auction bonds, terms of payment and claims; and
- f. Reservation or option on the part of the government to accept or reject any or all auctions.

2.0 Publication of the ITB

The ITB shall be posted at any conspicuous place reserved for the purpose in the premises of the owning agency concerned for seven (7) calendar days.

Further, it shall be posted in at least three (3) conspicuous public places in the locality where the properties may be sold and posted on the agency's website. The copies of the ITB may also be sent via mail or electronic mail, or personal service to prospective bidders.

C. Who May be Eligible to Participate in Public Auction

- 1.0 Natural and juridical persons, associations, partnerships or corporations with legal capacity and compliant with the prescribed rules and regulations may participate in the sale by public auction.
- 2.0 The Disposal Committee may provide specific guidelines on how to determine the eligible bidders.

D. Accomplishment and Submission of Auction Tender

- 1.0 Any qualified bidder shall accomplish an auction tender, clearly indicating the following:
 - a. Description of the items/lots with the corresponding auction offer in words and figures;
 - b. Name and signature of the bidder;
 - c. Business or residence address of the bidder;
 - d. Proof of identification of the bidder; and
 - e. Terms and conditions offered regarding bidder's bond, payment, default and delivery.
- 2.0 A bidder shall accomplish the auction tender in at least three (3) copies. Auction tenders shall be properly signed and submitted to the Chairperson of the Disposal Committee before the deadline for the submission of bids. The envelope containing the auction tender shall be sealed and properly marked.

If the items are being sold by lots, bidders shall submit auction tenders for different lots in separate envelopes. If, however, the buyer is interested in all lots, the auction tender shall be submitted in only one (1) envelope.

- 3.0 Any erasures or interlineations shall be avoided or duly initialed by the bidder.

E. Auction Bond

- 1.0 All requirements, including the auction bond, shall be submitted on the set deadline. The auction bond shall accompany the auction tender equivalent to at least 10% of the minimum auction price set by the government. Auction bonds may be in the form of cash or manager's/cashier's check from a commercial or universal bank. In cases where tenders are paid electronically, proof of cash payment for the auction bond shall be allowed.
- 2.0 Auction bonds of non-winning bidders shall be returned immediately after the announcement of the winning bidder.

F. Defective Auction Tenders

- 1.0 Auction tenders that are not in the prescribed form and/or not accompanied by auction bonds at the time of the opening of bids are considered defective bids. Said bids are automatically disqualified.

G. Withdrawal of Bids

- 1.0 A bidder may be allowed to withdraw an auction tender before the deadline for the submission. The auction tender shall be returned unopened.
- 2.0 After the opening of the auction tenders, no bidder shall be allowed to withdraw an offer.

H. Opening of Auction Tenders

- 1.0 All auction tenders shall be opened at the time, date, and place set in the invitation to bid under the direction of the Disposal Committee. Bidders or their duly authorized representatives may witness the proceedings physically or through video conferencing or similar platform. Further, the bidding proceedings shall be livestreamed in media platforms available to the agency.
- 2.0 The auction tender shall be signed by the members of the Disposal Committee or their authorized representatives who had actually attended the opening of auction tenders immediately after it is opened and announced in order to confirm compliance with the requirements of the auction. The members of the Disposal Committee or their authorized representatives may opt to attach their wet or digital signature to auction tenders submitted electronically.
- 3.0 To modernize and expedite the disposal process, the use of electronic and digital platforms in the disposal proceedings, such as adoption of video conferencing, video recording, use of digital signatures, among others, is allowed and highly encouraged, as applicable.
- 4.0 The auction tenders shall be filed for safekeeping by the Secretariat of the Disposal Committee.

I. Abstract of Bidding

- 1.0 An abstract of bidding shall be prepared in triplicate copies, indicating the name of the agency, date, time and place of auction, names of bidders and their corresponding auction tender and auction bond, and in case of disqualification of bidders, the reason thereof.

- 2.0 The abstract of bidding shall be signed by the members of the Disposal Committee. The Committee members may opt to attach their wet or electronic signatures for submissions done electronically or through the electronic auction systems already existing in their agencies. Regardless of the format, the Secretariat shall keep safe the copies of the abstract of auctions.

J. Failure of Public Auction

- 1.0 Failure of public auction shall be declared under any of the following cases:
- a. No auctions were received; or
 - b. All bidders failed to comply with the terms and conditions prescribed in the invitation to bid.
- 2.0 In case of a failed first public auction, a re-auction shall be scheduled. In case of failure on the second auction, the Disposal Committee may dispose the properties through negotiated sale.

K. Negotiated Sale

- 1.0 In case the second public auction fails, the properties may be disposed through negotiated sale.
- 1.1 Negotiation within one (1) month from the date of the second failed auction shall be done with the bidders of the first and/or second failed auction and other prospective bidders⁹ at a price not lower than 80% of the appraised value.
 - 1.2 If negotiation is done after one (1) month from the second failed auction, prospective bidders shall include potential buyers other than those earlier mentioned.
 - 1.3 If negotiation shall take place after six (6) months from the date of the second failed auction, the properties shall be reappraised and sold at a price not lower than 90% of the reappraised value.
- 2.0 Auction bonds shall be required from all participants in the negotiation. Submission of auctions electronically shall also be allowed for negotiated sale.

⁹ Such as those who obtained bid forms but did not submit bid tenders

L. Awarding of Sale

- 1.0 Award shall be given to the highest complying bidder.
- 2.0 When two (2) or more complying bidders have identical offers, public auction by viva voce between those who made identical auctions shall be resorted to at a price not less than the offered auctions, immediately on the same day if both bidders or their authorized representative are present either physically or through videoconferencing or similar platform.
- 3.0 Awarding of sale shall be done immediately after the opening of auctions, if practicable. Auction bonds of losing bidders shall be returned immediately after the announcement of the winning bidder.
- 4.0 In case of deferment of award, a temporary receipt shall be issued by the agency to acknowledge the submission of the auction bond. Once the Disposal Committee completes its deliberations and determines the winning bidder, auction bonds of losing bidders shall be returned upon presentation of the receipt immediately after the awarding of the winning bidder. Deferment of award shall not exceed five (5) working days from the date of opening of tenders.
- 5.0 The bidders or their duly authorized representatives shall attend the awarding physically or through video conferencing or similar platforms.

M. Payment

- 1.0 Upon award, the auction bond shall be considered as partial payment and the difference between such payment and the offered auction price shall be paid in the form of cash or cashier's/manager's check, or any other digital modes of payment in accordance with EO No. 170, s. 2022¹⁰ or existing laws, rules and regulations. The full payment for the purpose shall be made within five (5) working days from the date of the notice of award.
- 2.0 Failure to pay within the prescribed period shall result in the cancellation of the award and forfeiture of the auction bond. Subsequently, the award shall be given to the second highest bidder who shall post a new bond upon acceptance of the award.

¹⁰ Adoption of Digital Payments for Government Disbursements and Collections, dated 12 May 2022

N. Claiming of Award

- 1.0 Withdrawal of the disposed unserviceable property shall be made only by the awardee after full payment of the auction price. It shall be done in the presence of the Property Officer or duly authorized representative and witnessed by the Disposal Committee.
- 2.0 The Property Officer shall accomplish a tally-out sheet as evidence of actual withdrawal. The tally-out sheet shall be signed by the authorized agency official and the buyer acknowledging receipt of the items.
- 3.0 The Disposal Committee shall fix the period for the withdrawal of the sold unserviceable property which shall not exceed 30 calendar days from the award. Failure to claim the properties within the specified period shall cancel the award. The awardee shall then be charged reasonable storage fees and other incidental expenses.
- 4.0 Unjustified failure to withdraw the properties within the fixed period set shall be grounds for the forfeiture of the auction bond.
- 5.0 If the properties remain unclaimed after the lapse of the period to withdraw, ownership of the properties shall automatically revert to the government and may be disposed of in accordance with these guidelines.

O. Taxes, Customs Duties, Costs or Charges

- 1.0 The buyer of the properties for disposal 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 the properties. All expenses incidental to the withdrawal of the properties shall be borne by the winning bidder.

P. Blacklisting

- 1.0 Individuals or entities which have previously participated in the disposal activities of the government, but have committed any of the following, shall be blacklisted from participating in the disposal activities of the government within one (1) to two (2) years upon inclusion in the blacklist:
 - a. Submission of falsified documents containing false information;
 - b. Withdrawal of an auction tender, or refusal to accept an award without justifiable cause after the auction tender has been declared as the highest offer; or

- c. Non-compliance by bidders to the provisions stipulated under the agency's Invitation to Bid, Instructions to Bidders, or Terms of Reference.

2.0 Without prejudice to any action that the agency may have against the erring bidder, e.g., forfeiture of security, the following are the procedures for blacklisting:

- 2.1 Any bidder may initiate the suspension and blacklisting proceedings by filing a written complaint with the Disposal Committee, or the Disposal Committee may also motu proprio commence the proceedings upon prima facie determination that the bidder has committed any of the grounds for blacklisting.
- 2.2 Upon verification of the existence of grounds for blacklisting, the Disposal Committee shall immediately notify the bidder concerned, and is given ten (10) days to submit a written answer. Upon failure to file an answer, the Disposal Committee shall issue a resolution recommending to the head of the department/agency for approval of the suspension of the bidder and forfeiture of its auction bond.
- 2.3 A bidder is suspended upon receipt of the notice of decision prohibiting it, him or her, from participating in the sale of properties of the agency. A motion for reconsideration (MR) may be filed by the suspended person/entity within fifteen (15) days from receipt of the notice of decision. The Disposal Committee shall resolve with finality the MR within fifteen (15) days from the filing thereof.
- 2.4 A protest may be filed with the office of the head of the department/agency within fifteen (15) days from receipt of the resolution on the MR. If a protest is filed, the affirmed, modified or reversed decision shall become final and executory upon receipt thereof by the person/entity concerned.
- 2.5 Upon finality of the decision suspending the bidder, the head of the department/agency shall issue a Blacklisting Order (BO) disqualifying the erring bidder from participating in the auction of all government projects and shall submit the BO to their COA Audit Team.
- 2.6 The list of blacklisted bidders shall be posted on the website of the agency concerned.

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