

FREQUENTLY ASKED QUESTIONS (FAQs)

QUESTION NO. 1

When is the appropriate time to drop from the books the unserviceable PPEs? Is it after disposal or upon preparation of the Inventory and Inspection Report of Unserviceable Property (IIRUP)?

GAM 39 (d) Derecognize the asset only after disposal

GAM 40 (d) When the assets are reported in the IIRUP, these should be dropped from the books

ANSWER TO QUESTION NO. 1:

The COA Manual on Appraisal of Government Properties (page 28) states that:

- C. The asset shall remain in the books until these are sold/disposed.*
- D. When the property is sold, this report, together with the sales report and other supporting documents shall serve as basis in preparing the JEV to drop the assets from the books.*
- E. All Property Acknowledgement Receipt (PAR) covering the PPE shall be cancelled so that the end user shall be relieved from his/her accountability over the property.*

Therefore, unserviceable PPEs are only dropped from the books after the disposal.

QUESTION NO. 2

How is the appraised value of the waste materials determined?

ANSWER TO QUESTION NO. 2:

4.5.1 of the COA Manual on Appraisal states:

Unserviceable property which can no longer be repaired or reconditioned and waste materials shall be appraised at scrap or junk value.

Section 3 of the same Manual defines Junk/Scrap Value as:

Junk/Scrap Value – the price of scrap/junk metal or lumber prevailing in the local market

CONT._ANSWER TO QUESTION NO. 2:

Section 5.2 of the COA Manual of Appraisal provides:

- 5.2 For waste materials and property which are unserviceable and can no longer be repaired/reconditioned - the end user shall determine the unserviceability of the property and shall be supported with the History Card/record and Checklist of Unserviceable Vehicles/Heavy Equipment.

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

where Junk Value is based on prevailing price of scrap metal or lumber, whichever is appropriate.

Canvass for the current market price per unit weight and multiply by the actual weight of the waste materials/property to get the appraised value.

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.

QUESTION NO. 3

Are we going to apply the same disposal procedures for the salvage materials from demolished/repaired buildings?

ANSWER TO QUESTION NO. 3:

Section E-8 of NBC 425 defines materials as:

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. (Section E-8 of NBC 425)

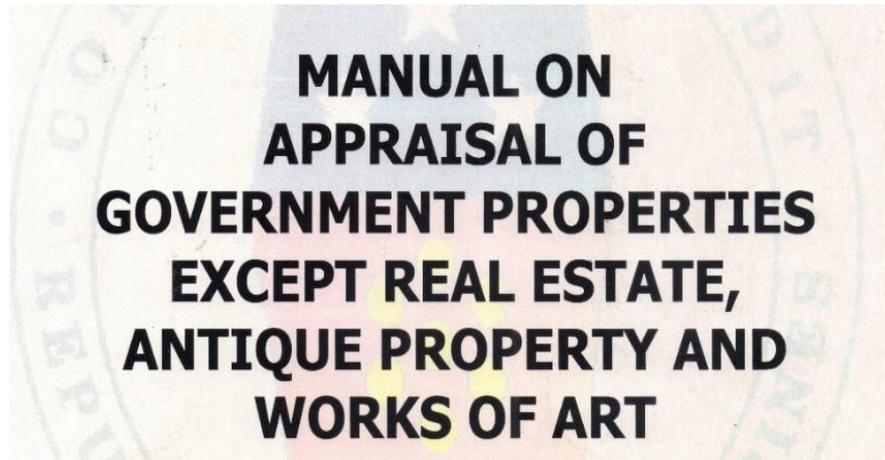
Salvage materials from destroyed/damaged fixed assets are considered as remnants which are practically considered as waste materials. If these waste materials are determined to be of no use to the agency, then these are appraised at junk value or scrap value, or at the prevailing price in the local market, and be disposed of in a manner most advantageous to the government.

QUESTION NO. 4

Is there a standard formula for appraisal?

ANSWER TO QUESTION NO. 4:

YES. Section 5 of the COA Manual on Appraisal of Government Properties Except Real Estate, Antique Property and Works of Art provides the revised formulae.



QUESTION NO. 5 (related questions)

If the property has already exceeded its useful life, will this be automatically subjected to disposal?

How long, in terms of years, can a vehicle be disposed of, even if still serviceable?

ANSWER TO QUESTION NO. 5:

The useful life of a property is an accounting estimate of the number of years it is likely to remain in service, functional and fit-for-purpose, while unserviceable properties refer to those that are no longer capable of providing the entity of expected benefits/service potential.

Part 1 – Section A of the NBC 425 partly states the following:

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.

Furthermore, Part II – Section B of the same NBC pertains to the conditions in the determination of disposable property, to wit:

CONT._ANSWER TO QUESTION NO. 5:

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.*

Hence, a PPE that exceeded its estimated useful life yet remains to be functional and does not meet any of the criteria mentioned above should **NOT** be considered as PPE items for disposal.

QUESTION NO. 6

Is COA Circular No. 89–296 on Property Disposal applicable to agencies holding foreclosed assets?

ANSWER TO QUESTION NO. 6:

NO. COA Circular No. 89–296 is not applicable if it falls within the exception.

COA Circular No. 86–264 provided for the exception to the applicability of the general guidelines on the divestment or disposal of assets of government–owned and/or controlled corporations, and their subsidiaries which states that:

CONT._ANSWER TO QUESTION NO. 6:

Section 5. Exceptions and Effectivity

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

The exception provided in COA Circular No. 86–264 should be construed to accommodate this policy and allow GOCC's wide latitude in the disposition of their assets, including foreclosed assets or collaterals acquired in the regular course of business.

COA Circular No. 89–296 provides for two exceptions to the requirement of disposition primarily through public bidding, *i.e.*, (1) disposal of merchandise or inventory held for sale in the regular course of business and (2) disposal by government financial institutions of foreclosed assets or collaterals acquired in the regular course of business."

QUESTION NO. 7

Is it allowed to donate “unnecessary” old but still serviceable properties to private Higher Education Institutions (HEIs) specially when affected by unforeseeable circumstances?

E.g. end of projects, computers used in the project to be donated to earthquake stricken HEIs e.g Corjesu

ANSWER TO QUESTION NO. 7:

YES. Chapter 7, Item No. 4 under the Modes of Disposal of the Training Handbook on Property and Supply Management System recognized the donation of property to charitable, scientific, educational or cultural institutions as one of the modes of disposal.

However, Part II, Section G, Item No. 4 of the DBM Manual on Disposal of Government Property explicitly states that the donation of property to the above institutions shall only be allowed on exceptional and meritorious cases with the approval of the COA and DBM.

PPE for disposal must follow the criteria/determining factor for unserviceable property.

QUESTION NO. 8 (related questions)

How frequent should the agency appraise and dispose of unserviceable assets?

To facilitate the volume of property, is it possible to do disposal of property quarterly?

Can we dispose those equipment which were damaged by earthquakes acquired 2 years ago?

ANSWER TO QUESTION NO. 8:

Part I– Introduction of NBC 425 provides that:

“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.”

Hence, there is no prescribed timing or period when to appraise government properties for disposal.

The specific program for disposal with timetable is a management prerogative, as long as the supplies/properties have been determined as unserviceable pursuant to Sec. 79 of PD 1445.

CONT._ANSWER TO QUESTION NO. 8:

As soon as the agency's properties are reported by users as defective, unserviceable or obsolete, these should be accounted for at the time they were reported as such or during the semi-annual inventory count, whichever is earlier, to avoid wastage and unnecessary consumption of storage space, subject to proper disposal procedures.

Please refer to NBC 425 or the Manual on the Disposal of Government Property for proper guidance.

QUESTION NO. 9 (related questions)

Is the appraisal of unserviceable asset needed only upon disposal or is it an annual requirement sans disposal?

How often should we appraise our PPEs?

ANSWER TO QUESTION NO. 9:

Appraisal process is required for disposal of unserviceable properties. It is also required when the Agency adopts an accounting policy of revaluation model or when the Agency intends to transfer/donate properties. The fair value of PPE may be a required disclosure in the Notes to FS of some agencies – in this case, it becomes an annual requirement. On the other hand, for disposal purposes, appraisal process is a requirement before disposal, hence it is required everytime the Agency will conduct disposal of its unserviceable properties.

QUESTION NO. 10 (related questions)

Can the agency dispose of properties not recorded in the books but physically present and currently in the agency's custody?

How to facilitate disposal of property when the same can no longer be traced in the accounting books due to absence of record?

Upon doing inventories, we found out that majority of the items do not have proper documents or records, can we still dispose them? If yes, how are we going to do it since we do not have basis?

Just assumed as storekeeper, however, most of the PPE documents are missing. How will this problem be solved?

Some of the unserviceable items are not found in our records. What shall we do in order to account those equipment in the absence of their acquisition costs?

ANSWER TO QUESTION NO. 10:

YES. The Property Officer and the Accountant should certify that the documents/records can no longer be found, traced and reconciled and that the unserviceable properties are found at site with no owner (abandoned property). PROVIDED, that efforts have really been exerted by the persons responsible; and done in good faith.

Correspondingly, Appraised Value of the properties/inventories accounted/found during physical counting and subjected to disposal must be computed based on the formulae provided under Item 5 of the COA Manual on Appraisal of Government Properties except Real Estate, Antique Property and Works of Art.

CONT._ANSWER TO QUESTION NO. 10:

Furthermore, it is to be noted that physical counting is not only done during the disposal of unserviceable properties. Government agencies shall have a periodic physical count of PPE, which shall be done annually and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as at December 31 of each year. This shall be submitted to the Auditor concerned not later than January 31 of the following year. Equipment found at station and losses discovered during the physical count shall be reported to the Accounting Division/Unit for proper accounting/recording.

For the proper maintenance of records, and property management in general, which are not covered on the scope of the online briefing, we bring management's attention to the accounting manual/s and handbooks applicable to its sector (NGAs, LGUs, CPSEs or Non-CPSEs).

(Note: If the case is – recorded in the books but not found on site, then the Accountable Officer will have to report immediately the loss and file a request for relief from accountability.)

QUESTION NO. 11

When will the inspection and disposal portion of the form Inventory and Inspection Report of Unserviceable Property (IIRUP) be filled-out? Prior to the request for inspection of COA representative or after the items are disposed of?

ANSWER TO QUESTION NO. 11:

Process flow of disposal:

1. Property Officer prepares the IIRUP by filling-out the Inventory portion of the IIRUP;
2. Routes the IIRUP for approval by the Head of the Agency;
3. Submits copy to the Auditor for his/her information and inspection and to the Disposal and Appraisal Committee for their inspection and appraisal. (Note: the Auditor and the Appraisal Committee may inspect together the items for disposal.);
4. The TWG submits the appraisal of the items for disposal to the Auditor for review;
5. The Auditor forwards the reviewed appraisal to the management for their conduct of disposal;
6. The Disposal and Appraisal Committee (DAC) will convene to agree on the Mode of Disposal and recommends to the head of the agency;

CONT._ANSWER TO QUESTION NO. 11:

Process flow of disposal (Continuation):

7. The DAC conducts the Public Auction;
8. The DAC issues the Notice of Award to the highest bidder;
9. The highest bidder pays and withdraws the item;
10. The Property Officer fills-out the Inspection and Disposal Committee portion of the IIRUP, routes the report for signature of the inspector and witness. The amount in the column Appraised Value shall be the appraised value reflected in the first public bidding floor price;
11. The Property Officer submits the report together with the supporting documents to the Accounting Unit for dropping from the books.

QUESTION NO. 12

What are the types of disposal and its step by step procedures?

ANSWER TO QUESTION NO. 12:

The types of disposal under Part II – Section G of the NBC 425 are:

1. Condemnation/Destruction of Property
2. Transfer of Property
3. Barter
4. Donation of Property
5. Sale of Property

NBC 425 or the Manual on Disposal of Government Property also provides the procedures for the disposal.

QUESTION NO. 13 (related questions)

We are having a hard time looking for bidders for items to be disposed of, is it mandatory to have at least 3 bidders?

If there are no interested bidders for the unserviceable properties, what should be done?

Can we do the award if only 1 bidder submitted a bid and it is found compliant?

Under RA 9184 and its 2016 Revised IRR, there is a successful public bidding even if there is one bidder. Does it apply to public bidding in the disposal of government properties?

ANSWER TO QUESTION NO. 13:

According to Section V of COA Circular 89-296, the general rule in the disposal of unserviceable properties is sale through public bidding. In order for the bidding to be successful, there should **be at least two offerors for each bid lot** .

If there is only one bidder, or no participating bidder, then the auction is considered unsuccessful bidding.

If the 1st auction is a failure, there is a need to conduct a 2nd Public Auction.

If it still fails, then the agency may resort to a Negotiated Sale.

CONT._ANSWER TO QUESTION NO. 13:

Furthermore, Section I, Part III, Guidelines/Procedures in the Sale of Property of NBC 425 provides that:

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; and*
- 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.

QUESTION NO. 14 (related questions)

Can the Appraisal and Disposal Committee choose the mode of disposal to be adopted by the Agency?

Can we have various methods for the disposal of unserviceable properties such as donation of property, condemnation and sale of unserviceable property?

ANSWER TO QUESTION NO. 14:

YES.

Part II – Section G of the NBC 425 partly states:

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.

The key is: ‘and’ deemed most advantageous to the government.

QUESTION NO. 15

Is there any ceiling amount to determine if the properties to be disposed of will be subjected to public auction?

ANSWER TO QUESTION NO. 15:

NONE. There was no ceiling set.

Part II, Section G of the DBM Manual on Disposal of Government Property states that property may be disposed through condemnation, transfer, barter, donation and sale as appropriate and deemed most advantageous to the government.

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.

CONT._ANSWER TO QUESTION NO. 15:

For Viva Voce:

This may be canvassed to at least 3 bidders.

Situations/Cases of Viva Voce:

1. Those involving disposable property of insignificant value or such nature that requires immediate disposal;
 2. Those involving waste materials and/or spare parts of insignificant value (ex. newspaper, tires, wastes of repaired vehicles, equipment, etc.)
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QUESTION NO. 16

Is it allowed that the unserviceable properties without value be transferred to any individual connected with the agency instead of destroying or throwing them?

ANSWER TO QUESTION NO. 16:

NO. Transfer is allowed only to other government agencies.

For unserviceable properties that are recommended for condemnation/destruction, make sure to follow the procedure.

Chapter 7 Item No. 1 under the Modes of Disposal of the Training Handbook on Property and Supply Management System clearly states that the condemnation/destruction of unserviceable properties may be through pounding, burning, breaking, shredding, throwing or any other method by which the property is disposed beyond economic recovery.

Therefore, the transfer of unserviceable properties without value to any individual connected with the agency with a view of saving it from getting condemned or destroyed will run counter to, and does not find support in the existing guidelines on disposal.

QUESTION NO. 17 (related questions)

Who are the qualified members of the disposal committee for NGAs?

Can the property custodian be an inspector or part of the disposal committee?

ANSWER TO QUESTION NO. 17:

The composition or members of the Disposal Committee, which includes the Head of the Property Unit, is provided under E.O. 309 dated March 8, 1996 entitled *“Reconstituting the Disposal Committee Created under E.O. No. 285”*.

For National and Corporate Agencies, E.O. 309 provides that in each Department, bureau, office or agency, a Disposal Committee shall be created and the composition shall be as follows:

Chairman – A senior official with a rank not lower than the level of an Assistant Secretary for a department and Assistant Director for a bureau/agency or department manager for a GOCC.

Member – Head of the Department’s administrative service or head of agency’s administrative division or head of the GOCC’s equivalent organizational unit.

Member – Head of the Property Unit

For LGUs, the Local Government Code of 1991 provides for the composition of the disposal committee which is the awards committee or the BAC.

QUESTION NO. 18

Is it a must for the Accountant to be part of the disposal team?

ANSWER TO QUESTION NO. 18:

For **LGU**, the answer is **YES**. Please refer to Sec. 364 of RA 7160.

For **Constitutional Offices** who are members of the **CFAG**, the answer is **YES**, the Accountant or his/her representative. Please refer to CFAG Joint Resolution No. 35 dated April 23, 1997.

For **NGS and GOCC**, the answer is **NO**. Please refer to EO 309 dated March 8, 1996 for the qualified Disposal Committee members.

QUESTION NO. 19

Is it allowed if the chairman of the inventory committee is also the chairman of the disposal committee? Will it not violate any rule for effective internal control system?

ANSWER TO QUESTION NO. 19:

There are no specific guidelines setting restrictions on the chairmanship of the committees related to property and supply.

However, a section of the COA Training Handbook on Property and Supply Management System pertains to the creation of Inventory Committee and it states that:

The Inventory Committee is composed of two or more employees including the supply/property officer or custodian depending upon the extent of the property accountability in a particular agency.

Usually, the Inventory Committee is headed by the Administrative/Property Officer and such official is not designated as the Chair of the Disposal Committee because he is just a member of the Disposal Committee.

QUESTION NO. 20

How are textbooks disposed of?

ANSWER TO QUESTION NO. 20:

Under the Policy Guidelines on the Proper Distribution, Care Recording, Retrieval and Disposal of Textbooks (TXs) with the Teacher's Manuals (TMs) and Other Instructional Materials, as included in the Enclosure to DepEd Order No. 14 s. 2012, the following are the procedures:

d. Textbook Disposal

The supply officer/designated property custodian should identify obsolete, damaged, or worn out TXs/TMs and submit the inventory to the Division Office, copy furnished the Instructional Materials Council Secretariat (IMCS).

The principal/school head should ensure that all TXs/TMs for condemnation/disposal are no longer in the inventory list.

The Division Office in coordination with the Disposal Committee shall notify the schools on the disposal dates.

CONT._ANSWER TO QUESTION NO. 20:

The following measures may be recommended to the Disposal Committee:

- i. Shredding, tearing, or cutting – TXs/TMs should not be disposed as a whole; shredded or cut paper may be sold to paper mills/manufacturing plants for recycling;*
- ii. Donation to teacher, students, and parents, who may wish to utilize old books as reference materials for school projects, for instructional aids, or to the community and barangay who have reading programs, etc.*

QUESTION NO. 21 (related questions)

For the National Government Agencies, can the equipment from LGU be included in the disposal?

Can we dispose of properties that were turned-over to our agency like, vehicles and equipment coming from a national government program like GEM project? Or properties that are not under our agency name?

ANSWER TO QUESTION NO. 21:

YES, if the equipment is recorded in the books of the Agency (Recipient). The Agency can include the unserviceable equipment in their disposal.

NO, if the equipment is still in the books of the Source Agency and the Agency is just considered an end-user. In this case, the Agency-user has to return the unserviceable equipment to the Source Agency and the latter shall do the disposal.

It should be noted that prior to disposal, ownership of the assets should be clearly identified to be that of the Agency. The criteria of recognition is discussed in GAM Volume I, Chapter 10 Property, Plant and Equipment, Sec.3, and the assets should be recorded in the books of the Agency.

QUESTION NO. 22

How is real property appraised?

ANSWER TO QUESTION NO. 22:

The COA Manual on Appraisal of Government Properties does not cover real estate, antique property and works of art, however, it stated that antique property and works of art shall be appraised by the National Museum, and real estate shall be appraised under a set of guidelines.

Furthermore, it is stated under Part I, Section D-3.1 of the Manual on Disposal of Government Property or NBC 425 that the Real Property 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.

QUESTION NO. 23

There were perceived issues by some agencies (ex: agencies w/ high-value assets) with this COA Circular 89-296 on Government Property Disposal. It was alleged that they were having problems disposing their idle but serviceable properties because of this particular provision: “that such assets should be divested either through public auction, negotiated sale, barter, or transfer to other government agencies based on their 'appraised value' ”. In the sense that requiring the sale of unproductive state assets at their appraised values has hampered, rather than facilitated, efforts by the government to dispose of these idle properties.

CONT._QUESTION NO. 23

Also, some of these agencies commented that rather than continuing the imposition of an ineffective set of rules to dispose of idle assets, the government would be better off selling them at discounted prices that would attract more buyers, which then would enable the agency to convert these properties for productive or commercial use. If it were not for the 'appraised value' requirement, more could have been disposed and more cash could have been provided to the agency. If it happens, that our auditees also have the same sentiments, how would we reconcile the challenges encountered by our auditees to our stringent regulations on Property Disposal, at the least, without deviating from the objective of the COA Circular/Guidelines?

ANSWER TO QUESTION NO. 23:

To address the challenges encountered by agencies, there is a need to capacitate the personnel involved in the disposal of unserviceable equipment of the agency. In determining the appraised value of a particular unserviceable equipment, COA provided the Manual on Appraisal for Government Properties to guide the agencies. Their appraisal may be referred to the COA Technical Service Office through the Audit Team for review.

QUESTION NO. 24

What is the validity period of the previous appraisal value of similar property?

ANSWER TO QUESTION NO. 24:

Item F-4.0, Part II of the NBC 425 states:

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.

QUESTION NO. 25

Has COA standardized the useful life in terms of the number of years for government vehicles, computers, printers, etc.?

ANSWER TO QUESTION NO. 25:

Items (a), (f) and (g) of Section 27, Chapter 10 of GAM Volume I state:

Sec. 27. Depreciation. PPE gradually loses its ability to provide service over the course of time. Because of this, its cost needs to be distributed on a systematic basis over its useful life. The allocated cost is referred to as depreciation. The depreciation charge for each period shall be recognized as expense unless it is included in the carrying amount of another asset. For example, the depreciation of manufacturing plant and equipment is included in the costs of conversion of inventories. Similarly, depreciation of PPE used for development activities may be included in the cost of an intangible asset recognized. The following are policies regarding depreciation of PPE:

- a. There are three factors an entity must consider in determining depreciation:
 1. Initial cost,
 2. Useful life, and
 3. Expected residual value at the end of its useful life.

CONT._ANSWER TO QUESTION NO. 25:

- f. The estimation of the useful life of the asset is a matter of judgment based on the experience of the entity with similar assets. The agency/entity is in the best position to estimate the expected useful life of its PPE. As a guideline, PPE shall be depreciated over the following life spans:

<u>Property, Plant and Equipment</u>	<u>Estimated Useful Life</u>
Land Improvements	- Over the useful life of the asset to which the improvement was made or the useful life of the improvement if significantly shorter
Infrastructure Assets	- 20 to 50 years
Buildings and Other Structures	- 30 to 50 years
Machinery and Equipment	- 5 to 15 years
Transportation Equipment:	
Motor vehicles	- 5 to 15 years
Motor vehicles (Military vehicles)	- 3 to 20 years
Trains	- 10 to 20 years
Aircrafts and Aircrafts Ground Equipment	- 10 to 20 years
Watercrafts	- 10 to 25 years
Furniture, Fixtures and Books	- 2 to 15 years
Leased Assets, excluding Land	- Over the useful life of the leased asset or the lease term, whichever is shorter. The lease term would include any renewal option periods where extension of the lease is expected.
Leased Assets Improvements	- Over the useful life of the improvement or the lease term, whichever is shorter. The lease term would include any renewal option periods where extension of the lease is expected.
Service Concession Assets	- Over the useful life of the service concession asset or the term of the service concession arrangement, whichever is shorter. The term of the service concession arrangement

CONT._ANSWER TO QUESTION NO. 25:

Property, Plant and Equipment

Estimated Useful Life

would include any renewal option periods where extension of the service concession arrangement is expected.

Other Property, Plant and Equipment

- 2 to 15 years

- g. Based on the above life spans, the entity shall prepare the specific estimated useful life for each asset based on its experience on the life of its PPE, copy furnished the Resident Auditor and the Government Accountancy Sector of COA.

QUESTION NO. 26

In the absence of the disposal committee, who will conduct the disposal of PPE? Who can become members of the disposal committee?

ANSWER TO QUESTION NO. 26:

The creation of a Disposal Committee is mandated by law, particularly Executive Order No. 309 (EO 309) dated March 8, 1996, and every government agency is ordered to implement. The Disposal Committee's role is vital in the decision-making and recommending the mode of disposal most advantageous to the government.

Furthermore, Section IV of COA Circular No. 89-296 dated January 27, 1989 states:

IV. AUTHORITY OR RESPONSIBILITY FOR PROPERTY DISPOSAL/DIVESTMENT

Pursuant to existing laws on the matter, the full and sole authority and responsibility for the divestment or disposal of property and other assets owned by national government agencies or instrumentalities, local government units, and government-owned and/or controlled corporations and their subsidiaries shall be lodged in the heads of the departments, bureaus, and offices of the national government, the local government units, and the governing bodies or managing heads of government-owned or controlled corporations and their subsidiaries conformably to their respective corporate charters or articles of incorporation, who shall constitute the appropriate committee or body to undertake the same.

Section 1 of EO 309, series of 1996, pertains to the Reconstitution of the Disposal Committee.

QUESTION NO. 27 (related questions)

For semi-expendable items like monoblock chairs, is there a need to wait for the proper disposal process? Can we just dispose them immediately because of space consumption?

Vehicle spare parts already used and no longer needed, can we dispose them immediately if they have no value anymore?

ANSWER TO QUESTION NO. 27:

The proper disposal activities/processes must be followed in accordance with NBC 425 or the Manual on Disposal of Government Property because certain documents are needed to be accomplished and submitted to the Disposal Committee to support the disposal, particularly Section C-1.0 of said Manual, such as the Inventory and Inspection Report of Unserviceable Property (IIRUP). This form covers semi-expendable materials and equipment and non-expendable supplies.

CONT._ANSWER TO QUESTION NO. 27:

The IIRUP should be accompanied by any of the following, as the case maybe:

- 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.

Please refer to the guidelines for the step by step process and the appropriate forms that you may use in your disposal activities.

QUESTION NO. 28 (related questions)

What if the equipment is missing?

How to account for unserviceable properties if missing?

Unserviceable property can no longer be located way back 1990s still, what to do?

ANSWER TO QUESTION NO. 28:

Based on NBC 425, the disposal process starts with the submission to the Disposal Committee of the required forms by the Accountable Officials in possession of unserviceable property sought to be disposed. The forms to be accomplished presupposes the **actual possession** of such property because an actual physical inventory and inspection is performed first on the physical and operational condition of a property which is existing.

Government properties which can no longer be located may not be instantly considered as unserviceable since the determination on the actual condition of the items subject for disposal requires physical examination of the Supply Officer and the Disposal Committee. Hence, these unlocated/missing properties shall be accounted using the accounting policies for loss of property as stated under Section 41, Chapter 10, Volume 1 of the Government Accounting Manual, to wit:

CONT._ANSWER TO QUESTION NO. 28:

- a. When a loss of government funds or property occurs while they are in transit or the loss is caused by fire, theft, or other casualty or force majeure, the officer accountable therefore or having custody thereof shall immediately notify the Commission or the auditor concerned and, within thirty days or such longer period as the Commission or auditor may in the particular case allow, shall present his applicable for relief, with the available supporting evidence. Whenever warranted by the evidence credit for the loss shall be allowed. An officer who fails to comply with this requirement shall not be relieved of liability or allowed credit for any loss in the settlement of his accounts. (Sec. 73, P.D. No. 1445)
- b. Lost property and the related accumulated depreciation and impairment loss shall be derecognized in the books upon receipt of the Report of Lost, Stolen, Damaged, Destroyed Property (RLSDDP) (Appendix 75) supported by a Notice of Loss prepared and submitted by the Accountable Officer. The loss shall be charged to account “Loss of Assets” at an amount equal to its carrying amount.

Established accountability of the accountable officer:

Sample Computation:

Cost of Medical Equipment	₱200,000
Accumulated Depreciation	38,000
Accumulated Impairment Loss	34,000
Net Carrying Value (Loss of Asset)	<u>₱128,000</u>

CONT._ANSWER TO QUESTION NO. 28:

- c. The accountability of the accountable officer over the loss of depreciable asset shall be based on depreciated replacement cost (DRC) PPSAS 21 par. 45. DRC is replacement cost less accumulated depreciation calculated on the basis of replacement cost.
- d. A receivable account shall be set up to record the accountability of the accountable officer simultaneous with derecognition of the lost PPE.
- e. Compensation from third parties for items of PPE that were impaired, lost or given up shall be recognized as income when the compensation becomes receivable.
- f. In case of partial destruction/loss of PPE the amount to be derecognized shall be its carrying value less the fair value of the remaining serviceable portion.

QUESTION NO. 29

Do all assets have rating components ex:
computers, laptops?

ANSWER TO QUESTION NO. 29:

No. Manual on Appraisal of Government Properties except Real Estate, Antique Property and Works of Art, Table I, enumerated and identified the following equipment with major component ratings, to wit:

- a. Vehicles
- b. Passenger Bus
- c. Heavy Equipment (Grader, Bulldozer, Dump Truck, Concrete Mixer, etc.)
- d. Airconditioning Unit (Window)
- e. Typewriter (Manual)
- f. Dental Equipment
- g. Motorcycle
- h. Others(Concrete Vibrator, Pump, Generating Set, Welding Machine, Air Compressor, Chainsaw)

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

QUESTION NO. 30

Numerous unserviceable items, do we still need to make PAR/ICS on them?

ANSWER TO QUESTION NO. 30:

NO. The Government Accounting Manual (GAM) provides the forms on the Property Acknowledgement Report (PAR) and the Inventory Custodian Slip (ICS) and defined its purpose as follows:

Appendix 71 of the GAM. Property Acknowledgement Receipt (PAR)– shall be used in the Supply and/or Property Division/Unit to record the issue of PPE to end-user. It shall be maintained by fund cluster. It shall be renewed every three years or every time there is a change in custodianship/user of the property.

Appendix 59 of the GAM. Inventory Custodian Slip (ICS) – is a form used by the Supply and/or Property Custodian to issue tangible items amounting to less than P15,000 to end-user to establish accountability over them.

Hence, the aforementioned forms are used upon issuance of the PPE items/ semi expendable property to its end users to establish accountability over them.

CONT._ANSWER TO QUESTION NO. 30:

In addition, the preliminary documentation that should be prepared by management for the disposal of unserviceable government properties are as follows:

1. Inventory and Inspection Report of Unserviceable Property (IIRUP);
2. Report of Waste Material / Waste Material Report;
3. Inventory Report showing the itemized list and complete description of the assets (GOCCs);
4. Checklist for Unserviceable Equipment Accompanied by a Certification of the Property Officer of Custodian for the missing parts (removed for future stock or have been utilized already for repair;
5. Photographs (2 views)
6. Property Ledger Card
7. Location/ site of the property
8. Agency Appraisal
9. Program for Disposal/ Disposal Plan
10. Disposal Procedure adopted (for GOCC)

QUESTION NO. 31

What do we need to do for those properties that are still serviceable but no longer in use like computer monitors, can we include them in the disposal?

ANSWER TO QUESTION NO. 31:

Part II – Section B of NBC 425 pertains to the conditions in the determination of disposable property, to wit:

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.

Hence, PPE items which fall under any of the conditions above may be considered as disposable property.

QUESTION NO. 32:

What to do if the parts of the vehicle to be disposed of are used in another vehicle?

ANSWER TO QUESTION NO. 32:

The parts that are used in another vehicle (*note: it should be a government vehicle*) must be documented/indicated on the list of missing spare parts, duly certified by the Supply Officer and the Head of Agency to support the required documents for Disposal of Property as stated in 1.2 of NBC 425:

- 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.

The **certified** list must contain specific details as to what serviceable government vehicle has the parts of the unserviceable vehicle to be disposed of for purposes of inspection and audit validation.

QUESTION NO. 33 (related questions)

What if the highest bid is lower than the computed appraised value?

Will there be a violation of the disposal guidelines if the buyer's quotation is lower than the appraised value?

ANSWER TO QUESTION NO. 33:

If the highest bid is lower than the appraised value, then the auction is considered as unsuccessful bidding, as stated in NBC 425:

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.

QUESTION NO. 34

Is the appraised value the minimum amount set for bidding value?

ANSWER TO QUESTION NO. 34:

NBC 425 provides the setting of Minimum Value as follows:

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.

QUESTION NO. 35

How will I record a donated vehicle with residual value however the vehicle is still serviceable?

ANSWER TO QUESTION NO. 35:

Section 12, Chapter 10 – Property, Plant and Equipment, Government Accounting Manual for NGAs Volume 1 provides:

Sec. 12. Donation without Condition.

Cost of PPE acquired through donation without condition shall be taken up at its fair value at the date it is acquired. All expenses incurred in connection with the donated asset, such as delivery and installation costs, shall be included in the amount recognized as asset. The fair value of the PPE shall be recognized as “Income from Grants and Donations in Kind”.

Example: A bus was donated to Entity A with a fair value of ₱1,000,000. Duties and taxes paid were ₱10,000; thus, the total cost amounted to ₱1,010,000. The donation received shall be recognized as follows:

<u>Account Title</u>	<u>Account Code</u>	<u>Debit</u>	<u>Credit</u>
Motor Vehicles	10606010	₱1,010,000	
Income from Grants and Donations in Kind	40402020		₱1,000,000
Cash-Modified Disbursement System (MDS), Regular	10104040		10,000
To recognize donations in kind received and duties and taxes paid			

QUESTION NO. 36

What if the property to be disposed of is still serviceable but not being used by the agency, do we have to prepare the WASTE MATERIAL REPORT?

ANSWER TO QUESTION NO. 36:

As stated in the National Budget Circular No. 425, or the Manual on Disposal of Unserviceable Property, one of the determining factors of unserviceable property is that it has been rendered unnecessary due to change in the Agency's functions/mandate. If the agency decides to dispose of these properties, preliminary documentation includes the preparation of Inventory and Inspection of Unserviceable Property (Appendix 74 of GAM for NGAs) if the properties involved are carried in the PPE accounts. Otherwise, Waste Materials Report (WMR) (Appendix 65) shall be used by the Property and/or Supply Custodian to report all waste materials such as destroyed spare parts and other materials considered scrap due to replacement.

QUESTION NO. 37 (related questions)

Is the BAC responsible to conduct the bid for the sale of unserviceable property?

Who will conduct the bidding? Is it the existing Agency BAC or shall we create a Disposal Committee?

ANSWER TO QUESTION NO. 37:

DBM National Budget Circular No. 425 was issued to guide all heads of departments, bureaus, offices and agencies of the national government, state universities and colleges, GOCCs, and all others agencies concerned to use the Manual on the Disposal of Government Property for the sole purpose of disposal undertakings.

On the other hand, RA 9184 applies to the procurement of infrastructure projects, goods and consulting services by all branches and instrumentalities of government, its department, offices and agencies, including GOCCs and local government units (Sec. 4, RA 9184).

Considering the different mandates of the committees constituted under the DBM NBC No.425 and the RA 9184, the BAC created in RA 9184 does not include in its scope and functions the functions of the Disposal and Appraisal Committee (DAC) created under DBM NBC No. 425.

The bidding on disposal will be conducted by the DAC and not by the BAC.

CONT._ANSWER TO QUESTION NO. 37:

Part II – Disposal Activities/Processes of DBM National Budget Circular No. 425 (Manual on the Disposal of Government Property) provides that:

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.

CONT._ANSWER TO QUESTION NO. 37:

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.

QUESTION NO. 38

What can be used in lieu of property ledger card which is not being maintained by brgy./city accountant?

ANSWER TO QUESTION NO. 38:

Section 269, Chapter 7 – Property, Plant and Equipment, Government Accounting Manual for LGU Volume 1 provides:

Section 269. Accounting and Property Records to be maintained for PPE. The Local Accountant shall maintain the subsidiary ledger cards for each group of PPEs including work and other animals etc. The subsidiary ledger cards are: Land and Land Improvements Ledger Cards for land and land improvements; Local Road Network Ledger Card for road network; Other Public Infrastructure Ledger Cards for the public infrastructures other than the road network; Building and Structure Ledger Cards for buildings and structures; Equipment Ledger Cards for the equipment, and Other Property Ledger Cards, for the other property not provided with special ledger cards. The ledger cards shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal and other information about the asset. For check and balance, the General Service Office and Supply Office/Unit shall likewise maintain the equivalent Property Card (PC) for PPE to account for the receipt and disposition of the same. The balance of the PPE general ledger accounts should always reconcile with subsidiary ledger cards. They should also reconcile with other property records like PAR.

Hence, Property Ledger Card is required to be maintained.

QUESTION NO. 39

Is COA considering a one-stop shop for disposal of property or accrediting a third party organization specifically for this? In most cases, technical appraisals are always higher than bid prices of potential buyers. We should consider that these bidders quote prices on their ability to resell these junk items with reasonable profit. I think this contributes to slow pace of disposal.

May I suggest also to COA to at least provide a more realistic appraisal and consider market conditions such as profit, cost of disposal and incidental expenses. Correct me if I am mistaken, but in your formula for appraisal value, there was no consideration for profit and other incidental expenses.

(If there was consideration for these, please disregard my question.)

ANSWER TO QUESTION NO. 39:

It should be noted that the formulae adopted for the computation of the appraisal value of unserviceable property for disposal were first based on DBM National Budget Circular No. 425 (Manual on the Disposal of Government Property) dated January 28, 1992, and the COA subsequently presented the REVISED formulae under Section 5 of the Manual on Appraisal of Government Properties Except Real Estate, Antique Property and Works of Art with the following objectives: **to attain more realistic valuations** of property under disposal based on the actual state or condition of properties being disposed of; and to provide a reliable basis of ensuring that **government recovers a fair return from the disposal of its properties.**

CONT._ANSWER TO QUESTION NO. 39:

Furthermore, on the statement: “*We should consider that these bidders quote prices on their ability to resell these junk items with reasonable profit.*”, it should also be noted that for “junk items”, the Appraised Value (AV) for such is: $AV = \text{Junk Value}$, where Junk Value is based on the prevailing price of scrap metal or lumber, whichever is appropriate. Canvass for the current market price (CMV) per unit is required from potential buyers/bidders (such as junk shops) and the CMV per unit weight is multiplied by the actual weight of the waste materials/property to get the appraised value. Thus, these potential buyers have the leeway to ascertain that profit has already been considered before prices are quoted.

QUESTION NO. 40

How much will be the bidders bond for the prospective bidders? Or, what is the basis of the amount for the bidders bond?

ANSWER TO QUESTION NO. 40:

Section D, Part III – Guidelines/Procedures in the Sale of Property of the DBM NBC No. 425 enumerates the following guidelines in the determination of the bid bond in a public auction of unserviceable properties:

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 the bids, shall be required from each bidder and should be at least 10% of the minimum bid price set by the government.

Bid bonds should be in the form of cash, manager's check, or cashier check acquired from a reputable bank within the area where bidding is to be held.

QUESTION NO. 41

If no data is available for a particular Furniture, Fixture and Equipment (FFE), or if it's not included in our list of FFE, during disposal do we use IIRUP or waste material report?

ANSWER TO QUESTION NO. 41:

The necessity to prepare the Inventory and Inspection Report of Unserviceable Properties (IRRUP) and Waste Materials Report (WMR) depends primarily on the nature of the items subject for disposal.

As mentioned in Section 17, Chapter 8 of the Government Accounting Manual (GAM) Volume I, the WMR shall be used to **report all waste materials such as destroyed spare parts and other materials considered scrap due to replacement.** Meanwhile, Appendix 74, Volume III of the GAM defines the IIRUP as a report prepared by the Supply and/or Property Unit as basis to record the dropping from the books of **unserviceable properties carried in the PPE accounts.**

In the disposal of unserviceable government properties classified under Furniture, Fixture and Equipment, the Management through its Disposal Committee must identify if there are any materials considered scrap due to replacement of a specific part of an item. The Supply Officer shall then prepare a WMR to report these waste materials to the Disposal Committee. If the item where the scrap was taken is also unserviceable, an IIRUP shall be prepared to facilitate the dropping of the said unserviceable property from the books of accounts.

In conclusion, a WMR may or may not be prepared by the Supply Officer since it is only used when there are waste materials while an IIRUP shall be prepared to facilitate the dropping of the unserviceable properties from the books of accounts.

QUESTION NO. 42

If negotiated sale is opted, is it required to require bidders bond for a sale of only one unit computer with a junk price of P4.00 per kilo? –

ANSWER TO QUESTION NO. 42:

As provided in Section 5.2 of NBC 425, the negotiated sale will only be resorted to as a consequence of two (2) failed public biddings.

Item J, Part III of NBC 425 clearly provides that bid bonds shall be required from all participants in the negotiation.

QUESTION NO. 43

After sale of property thru negotiation, what will happen to the remaining unsold properties?

ANSWER TO QUESTION NO. 43:

Item J of NBC 425 provides:

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.

Thus, unsold properties can still be sold thru negotiated sale, provided that if the negotiation takes place after six (6) months from the date of second failed bidding, the property should be appraised and sold at not lower than 90% of the reappraised value.

QUESTION NO. 44

How long is the term for the disposal committee members?

ANSWER TO QUESTION NO. 44:

EO 309 which reconstitutes the disposal committee created under EO 285 amending EO 888 provides that the Members of the disposal committee are the Head of the Admin Services/Division/Unit and the Head of the Property Unit. Based on that provision, as long as they are occupying the position, they will continue to be members of the disposal committee.

QUESTION NO. 45

Whose appraised value must prevail? the agency or the COA regional office?

ANSWER TO QUESTION NO. 45:

The appraisal to be performed by COA engineers is aimed at providing the auditor concerned with a reference value in his/her audit of the sale/ disposal of government property to gauge the reasonableness of the disposal price.

The appraised value is an estimate or opinion of value of an adequately described property as of a specific date transmitted in writing and supported by presentation and analysis of relevant and factual data.

The COA appraised value should not be confused with the government floor price in a public auction. The setting of a government floor price is a management responsibility where the appraised value adopted is deemed to be most advantageous to the government and that the government shall receive fair compensation for the items sold.

QUESTION NO. 46

How to dispose of empty drums?

ANSWER TO QUESTION NO. 46:

If the drums only served as containers for the goods purchased and used by the Agency, then the drums would be treated as “Waste Materials”.

Sec. 4.5.1 of the COA Manual on Appraisal states that: *“Unserviceable property which can no longer be repaired or reconditioned and waste materials shall be appraised at scrap or junk value.”*

Sec. 5.2 of the same Manual provides that the Appraised Value of Waste Materials is equal to Junk Value, where Junk Value is based on the prevailing price of the scrap metal or lumber, whichever is appropriate.

Waste Materials should be supported by Waste Materials Report (Annex B of the same Manual).

CONT._ANSWER TO QUESTION NO. 46:

However, if the drums were purchased and used for a specific purpose, and recorded in the books of the Agency, then the provisions of Sec. 4.5.2 of the COA Appraisal Manual must be observed. The disposal of unserviceable drums must be supported with an IIRUP (Annex A).

Thereafter, the proper disposal process must be followed in accordance with NBC 425 or the Manual on Disposal of Government Property.

QUESTION NO. 47

May we confirm the COA opinion that all apprehended and impounded motor vehicles left unclaimed at LTO for more than 6 months and already abandoned by the owners are NOT considered government property and therefore normal disposal procedures are not applicable to them?

ANSWER TO QUESTION NO. 47:

Vehicle Impoundment is defined as the legal process of placing a vehicle into an impoundment lot or tow yard, which is a holding place for cars until they are placed back in the control of the owner, recycled for their metal, stripped of their parts at a wrecking yard or auctioned off for the benefit of the impounding agency. (Ref. Wikipedia)

Section D, Part I of NBC 425 provides that the disposal of properties pertain to government properties.

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.*

CONT._ANSWER TO QUESTION NO. 47:

Furthermore, Section E, Part I of the same NBC defines Abandoned Property and Forfeited Property as follows:

Abandoned Property - any personal property in the possession of any government agency without a known owner.

Forfeited Property - that which is acquired by summary process or by order of the court pursuant to any law in the Philippines.

Sections 1 and 4 of the Presidential Decree No. 1729, *Authorizing the Bureau of Land Transportation to Dispose of Impounded Motor Vehicles Unclaimed by Owners for a Certain Period of Time*, provide:

CONT._ANSWER TO QUESTION NO. 47:

Section 1. – All motor vehicles, duly impounded by the Director of Land Transportation or by his deputy or by any other authorized officer, which are unreasonably and actually abandoned by their owners for failure to pay the necessary and required fines and penalties within a period of six months from the date of apprehension, shall be sold and disposed of by the Bureau of Land Transportation in a public sale: Provided, That, in all cases before any public sale is done, the owners of the impounded and abandoned vehicles shall be given written notice and the option to redeem the said property after paying all the necessary charges within a period of fifteen (15) days from the receipt of such notice or to participate in the public bidding to be set and conducted by the Bureau.

CONT._ANSWER TO QUESTION NO. 47:

Section 4. - After the public sale, the proceeds shall be applied to all liens, fines, fees, penalties and such other charges like the costs in the publication of notice: Provided, That whatever is the remainder shall be returned to the former owners.

Based on the foregoing provisions, impounded cars are not considered as government property. Thus, NBC 425 is not applicable on the disposal of the impounded cars.

It is the Land Transportation Office that issued the Guidelines on the Disposal of Unclaimed Impounded Motor Vehicle and such is posted at the LTO website.

<https://www.lto.gov.ph/latest-advisory/404-guidelines-on-the-disposal-of-unclaimed-impounded-motor-vehicle>

QUESTION NO. 48

How to dispose of properties that were acquired by the Agency as a set and became unserviceable by piece or component? For example, computer set where only the CPU is unserviceable but the other components are still serviceable.

ANSWER TO QUESTION NO. 48:

In the disposal of unserviceable government properties classified under Furniture, Fixture and Equipment, the Management through its Disposal Committee must identify if there are any materials considered scrap due to replacement of a specific part of an item. The Supply Officer shall then prepare a WMR to report these waste materials to the Disposal Committee. If the item where the scrap was taken is also unserviceable, an IIRUP shall be prepared to facilitate the dropping of the said unserviceable property from the books of accounts.

QUESTION NO. 49

Can an Agency employee join in the bid for unserviceable properties to be disposed of by the Agency?

ANSWER TO QUESTION NO. 49:

Section B, Part III of NBC 425 provides:

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.

The foregoing provision does not specifically state restrictions or exceptions on who may participate in the public bidding.

However, Item 5.5.1 of the Constitutional Fiscal Autonomy Group (CFAG) Joint Resolution No. 35 provides that members of the Bids and Awards Committee and the Disposal Committee and their relatives within the fourth civil degree of consanguinity or affinity are not allowed to participate in the bidding. *(Ref. Posted Notice to Sell_Office of the Ombudsman_May 2016)*

QUESTION NO. 50

If a Regional Office has five district offices, shall each district prepare only the IIRUP and forward the same to the Regional Office? Will the Technical Working Group be responsible then for the appraisal and indication of the amount on the IIRUP?

ANSWER TO QUESTION NO. 50:

Item C, Part II of the Manual on Disposal for Government Properties provides:

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.

CONT._ANSWER TO QUESTION NO. 50:

- 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]

CONT._ANSWER TO QUESTION NO. 50:

Item E, Part II of the same Manual further states:

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.

QUESTION NO. 51

We already sent a letter to the DPWH requesting to appraise the building. However, due to the pandemic, they were not able to do it yet. What shall we do? Can the school committee do the appraisal instead?

ANSWER TO QUESTION NO. 51:

It is stated under Part I, Section D-3.1 of the Manual on Disposal of Government Property or NBC 425 that the Real Property shall be governed by the DBM-DENR-DPWH Joint Circular No. 1 dated September 30, 1989.

Section 2.2, Chapter 2, Part 3 of the Manual on Building Services and Real Property Management or the DBM-DENR-DBM IC No. 1 provides that:

2.2 National Building Appraisal and Valuation

The DENR and the DPWH shall coordinate in the appraisal and valuation of national buildings.

Based on the foregoing provision, the DENR and DPWH are responsible in the appraisal of the national buildings which include school buildings.

QUESTION NO. 52

What if the comparable property cannot be inspected because the owner/s won't allow such action? Is it okay that the condition factor shall come from them?

ANSWER TO QUESTION NO. 52:

No. The condition factor given by the owner/seller of a comparable property cannot be used as basis for the computation of the appraised value. It has to be assessed by the Disposal Committee after having conducted inspection of the physical condition of the equipment/property.

Section 4.4 of the COA Manual on Appraisal of Government Properties Except Real Estate, Antique Property and Works of Art states that:

CONT._ANSWER TO QUESTION NO. 52:

4.4 Conduct of Appraisal

The Appraisal Process in general consists of:

- 4.4.1 conducting an ocular inspection of the property to be appraised to assess its physical condition and to determine condition rating.
- 4.4.2 seeking reference price information such as:
 - acquisition cost, or
 - current market price of similar property, or
 - replacement cost for a similar new property;
 - prices from second hand rebuilders and reconditioners of machinery, cars or equipment;
 - currency exchange rates for acquisition year and current year.
- 4.4.3 computing the appraised value by following the revised formulae on appraisal of government properties except real estate, antique property and works of art contained in Section 5.0 hereof, which will take into account the:
 - property's actual physical condition,
 - the relevant reference price information,
 - expected useful life of the property, and
 - the changes in the value of the property caused by depreciation, obsolescence, and those caused by changes in the value of the exchange currency, the peso, and also appreciation in the value of the property occasioned by the reconditioning, major repair or upgrade of the property as well as favorable changes in the exchange value of the Philippine peso.

CONT._ANSWER TO QUESTION NO. 52:

Furthermore, Section 4.3.1 of the same Manual provides the criteria to determine the condition rating of a property, to wit:

4.3 Determination of Condition Rating of Property

4.3.1 The condition rating of the property is obtained based on the following:

Very Good (VG) (80-100%) – This term describes a property 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%) – This term describes a property which 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%) – This term describes a property which is being used at some point below its fully specified utilization because of the effects of age and/or utilization and which require general repairs and some replacement of minor elements/components in the foreseeable future to raise its level of utilization to or near their original specifications.

CONT._ANSWER TO QUESTION NO. 52:

Poor Condition (P) - This term is used to describe a property which 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.
(15-30%)

Scrap Condition (S) - This term is used to describe a property which is no longer serviceable and which cannot be utilized to any practical degree regardless of the extent of the repairs or modifications to which they may be subjected (beyond economical repair). This condition is for properties which have used up 100 percent of their useful life or which are 100 percent technologically, functionally, economically or statutorily obsolete
(0-10%)

The foregoing shall be the appraiser's guide in the determination of the condition rating of the property.

QUESTION NO. 53

The computation for appraisal value is applicable to all properties for disposal, for example printer or smaller items?

ANSWER TO QUESTION NO. 53:

The formulae presented during the Briefing are applicable to all government properties EXCEPT real estate, antique property and works of art.

The antique property and works of art shall be appraised by the National Museum while the real estate shall be governed by the DBM-DENR-DPWH Joint Circular No. 1 dated September 30, 1989.

Section 5.0 of the Manual on Appraisal of Government Properties Except Real Estate, Antique Property and Works of Art provides the revised formulae with illustrative examples.

QUESTION NO. 54

Can the appraisal/disposal process proceed without the presence of the COA auditor even if a request was already sent by the Agency to witness the activity?

ANSWER TO QUESTION NO. 54:

Section VII of COA Circular No. 89-296 dated January 27, 1989 provides:

VII. COA ROLE DURING DISPOSAL:

In all modes or instances of disposal of government property or assets as hereinabove contemplated, the proceedings shall be undertaken by the appropriate authority in the presence of the Auditor or other COA representative who shall act as an intelligent, responsive and articulate witness thereto. The said act of witnessing shall not be confined merely to seeing what is being done during the proceedings but shall be related to the more meaningful discharge by the Auditor of his/her constitutional duty to examine, audit and settle all accounts pertaining to the expenditures or uses of government funds and property. Thus, the Auditor acting as such witness may verbally advise the agency head or his duly authorized representative of any objectionable feature/s of the proceedings. Otherwise, he may sign documents and other papers pertinent only to those proceedings which he witnessed with his comments which he deems necessary under the circumstances. Related advices and/or comments done in writing should invariably be sent officially to and duly receipted for by head of the agency or his duly authorized representative concerned. These written advices or comments shall form part of the bases of action to be taken by the auditor in the pre-audit or post audit of the subject transactions.

QUESTION NO. 55

Is it necessary to hire an appraiser for the appraisal of unserviceable properties?

ANSWER TO QUESTION NO. 55:

Section A-2, Part II of NBC 425 provides the functions of the Disposal Committee, to wit:

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.

CONT._ANSWER TO QUESTION NO. 55:

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.

CONT._ANSWER TO QUESTION NO. 55:

Furthermore, Section E of the same NBC states:

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.

CONT._ANSWER TO QUESTION NO. 55:

Based on the foregoing provisions, the members of the Disposal and Appraisal Committee (DAC) are expected to undertake the appraisal of government properties and to prepare the appraisal report.

Hence, it is not necessary to hire an appraiser for the appraisal of unserviceable properties.

Furthermore, Section 5.0 of the Manual on Appraisal of Government Properties except Real Estate, Antique Property and Works of Art already provides the revised formulae to compute the appraised value, as well as illustrative examples to guide the members of the DAC.

QUESTION NO. 56

Is it necessary for the Appraisal and Disposal Committee members to be all present during the proceedings?

ANSWER TO QUESTION NO. 56:

There are no specific provisions that require ALL members of the Disposal and Appraisal Committee (DAC) to be present during the proceedings. However, if the DAC is composed only of three (3) members/officials , then it is highly encouraged that all be present during the proceedings to effectively and efficiently perform their functions.

Section 1 of E.O. 309 shows the composition of the Disposal Committees, to wit:

SECTION 1. *Reconstitution of Disposal Committees.* Pursuant to R.A. No. 8174, the Disposal Committees created under E.O. No. 888 as amended by E.O. No. 285 dated July 25, 1987 in each Department, bureau, office or agency are hereby reconstituted as follows:

Chairman	A senior official with a rank not lower than the level of an Assistant Secretary for a department and Assistant Director for a bureau/agency or department manager for a GOCC
Member	Head of the Department's administrative service or head of agency's administrative division or head of the GOCC's equivalent organizational unit
Member	Head of the property unit

QUESTION NO. 57

For semi-expendable items/equipment, do we need to compute for the appraisal value using the formula or can we appraise it at scrap or junk value?

ANSWER TO QUESTION NO. 57:

Section 4.5 of the COA Manual on Appraisal of Government Properties Except Real Estate, Antique Property and Works of Art pertains to *“Determination of Appraised Value”* and it provides that unserviceable property which can no longer be repaired or reconditioned and waste materials shall be appraised at scrap or junk value. However, if the unserviceable property can still be repaired or reconditioned, or the property are no longer needed but still functional, then the formulae provided on the appraisal of government properties must be used.

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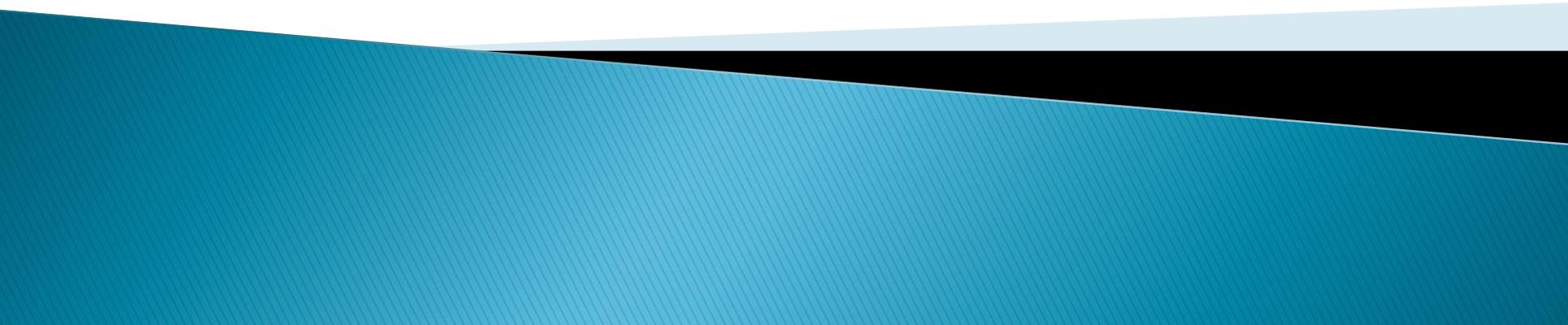
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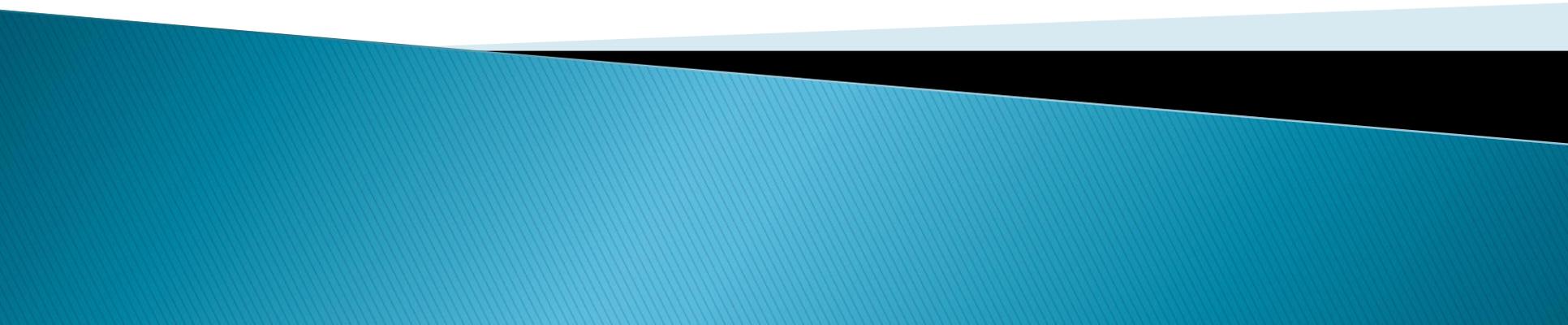
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Thank You!



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