

PROVIDING FOR AN IMPROVED SYSTEM OF ACQUISITION, UTILIZATION, CARE, CUSTODY AND DISPOSAL OF SUPPLIES IN THE LOCAL GOVERNMENTS, AMENDING FOR THE PURPOSE SECTION THREE OF REPUBLIC...

PRESIDENTIAL DECREE NO. 526, August 02, 1974

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WHEREAS, the availability at all times of supplies, materials and equipment is crucial to the efficient discharge of governmental functions;

WHEREAS, the provisions of existing laws need to be revised and updated to make them more responsive to the growing supply requirements of local developmental projects;

WHEREAS, it has become imperative to install administrative innovations that will make the procurement operations of local governments cheaper, faster, and more effective and which at the same time will induce the proper maintenance, use and conservation of supplies, materials and equipment at the local levels;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby decree, order and make as part of the law of the land the following amendments to Republic Act No. 2264 and other related laws:

SECTION 1. Scope.—This Decree shall govern the procurement, care, utilization and disposal of supplies by the local governments and the other aspects of supply management at the local levels.

SEC. 2. General rule in procurement or disposal.—Except as otherwise herein provided, procurement of supplies by local government units shall be thru competitive public bidding. Supplies which have become unserviceable or no longer needed shall be sold, whenever applicable, at public auction.

SEC. 3. Scope of term "supplies".—"Supplies", as herein used, includes everything, except real estate, which may be needed in the transaction of public business, or in the pursuit of any undertaking, project, or activity, whether of the nature of equipment, furniture, stationery, materials for construction, or personal property of any sort, including non-personal or contractual services such as the repair and maintenance of equipment and furniture, as well as trucking, hauling, janitorial, security, and related or analogous services.

SEC. 4. Requirement of requisition.—No order for supplies shall be filled by the provincial, city or municipal treasurer concerned for any office or department of the local government except upon written requisition as herein-above provided.

SEC. 5. Officers having authority to draw requisitions.— Requisitions shall be drawn by the head of office or department needing the supplies, who shall certify as to their necessity for official use, and specify the project or activity where the supplies are to be used.

SEC. 6. Certificate showing existence of appropriation.— Every requisition must be accompanied by a certificate, signed by the local treasurer showing that an appropriation therefore exists and that the estimated amount of such

expenditure has been set aside for its liquidation.

SEC. 7. Approval of requisitions.—Approval of the requisition by the head of office or department concerned who has administrative control of the appropriation against which the proposed expenditure is chargeable is sufficient, except in the following cases:

- Requisitions for supplies to be carried in stock which shall be approved by the local chief executive and the provincial or city auditor concerned: Provided, That such supplies are listed or included in the annual procurement plan and the maximum quantity thereof does not exceed the estimated consumption corresponding to a programmed three-month period: And provided, further, That nothing herein contained shall be construed as authorizing the purchase of furniture and equipment for stock purposes; and
- Requisitions the total estimated cost of which is over ten thousand (P10,000.00), which shall likewise be approved by the respective local chief executive and provincial or city auditor concerned.

SEC. 8. The call for bids.—When procurement is to be done at the local government level and save in exempt cases, the local treasurer shall call bids for open public competition. The call for bids shall show the complete specifications and technical descriptions of the supplies desired and shall embody all terms and conditions of participation and award, terms of delivery and payment and of all other covenants affecting the transaction.

In all calls for bids, the right to waive any defect in the tender as well as the right to accept the bid most advantageous to the government shall be reserved. In no case, however, shall failure to meet the specifications or technical requirements of the supplies desired be waived.

SEC. 9. Publication of call for bids.—The call for bids shall be given the widest publicity possible, providing, by mail or otherwise, any known prospective participant in the locality, of copies of the call and by posting copies of the same in at least three conspicuous public places within the immediate environs of the provincial capitol, or city or municipal hall of the local government unit involved.

In addition to the above modes of publicity, the notice of the bidding may be published for three times within a week in a newspaper of general circulation in the locality when the local treasurer deems it necessary in order to obtain the lowest responsible and complying bid.

"Locality" as used herein shall mean the territorial jurisdiction of the province and in the case of a city, the province of which the city is a geographical part and in the case of a municipality, the province of which it is a component part.

The opening of bids shall be in the presence of the provincial or city auditor or his duly authorized representative who shall identify and secure copies of the bids and certify the abstract of the bidding.

SEC. 10. The Committee on Award.—There shall be in every province, city and municipality a Committee on Award to decide winning bids and questions of awards on procurement and disposal of property.

The Committee on Award shall be composed of the local chief executive as Chairman with the local treasurer and the head of office or department for whose use the supplies are being procured, as Members. In case the head of office or department involved is already a member and as such would sit in a dual capacity, a member of the local legislative body chosen by the local chief executive shall sit as a third member.

SEC. 11. Rule on awards.—Awards in the procurement of supplies shall be made to the lowest complying and responsible bid which meets all the terms and conditions of the contractor undertaking.

As used herein, the term "lowest complying and responsible bid" shall be the proposal of one who offers the

lowest price meeting all the technical specifications and requirements of the supplies desired and as a dealer in the line of supplies involved, maintains a regular establishment, and has complied religiously with previous commitments.

"Terms and conditions" refers to other requirements not affecting the technical specifications and requirements of the supplies desired such as bonding, terms of delivery and payment, and related or analogous preferments.

SEC. 12. Procurement without public bidding.—Procurement of supplies may be made without the benefit of public bidding in the following modes:

- Personal canvass of responsible merchants;
- Emergency purchases;
- Direct purchases from manufacturers or exclusive distributors;
- Thru the Bureau of Supply Coordination; and
- Purchase from other government entities or foreign governments.

SEC. 13. Procurement thru personal canvass.—Procurement of supplies may be effected after personal canvass of at least three responsible merchants in the locality by a committee of three composed of representatives of the individual members of the Committee on Award. The award shall be decided by the Committee on Award.

Purchases under this Section shall not exceed the amounts specified hereunder for all items in any one month:

Provinces and Cities

1st & 2nd class

—

thirty thousand pesos

3rd & 4th class

—

twenty thousand pesos

5th class

—

ten thousand pesos

Municipalities

1st class

—

twenty thousand pesos

2nd & 3rd class

—

ten thousand pesos

4th class and below

—

five thousand pesos

SEC. 14. Emergency purchases.—In cases of emergency where the need for the supplies is exceptionally urgent or absolutely indispensable to prevent immediate danger to, or loss of, life, local government units may make emergency purchases or place repair orders without public bidding regardless of amount. Delivery and utilization of purchase and/or repair orders under this section shall be made within fifteen (15) days after the placing of the same. Immediately after the emergency purchase or repair order is made, the chief of office or department making the emergency purchase or repair order shall draw a regular requisition to cover the same showing thereon:

- A complete description of the supplies acquired or the work done or to be performed;
- By whom furnished or executed;
- Date of placing the order and the date, time of delivery or execution;
- The unit price and the total amount contracted for;
- A clear explanation of the circumstances why procurement was of such urgency that same cannot be done thru regular course without involving danger to, or loss of, life;
- A certification to the effect that the price paid or contracted for was the lowest at the time of procurement; and
- A certification of the local treasurer as to availability of appropriations and funds for the purpose.

SEC. 15. Procurement from duly licensed manufacturers. —Procurement may be made direct from duly licensed manufacturers in cases of supplies of Philippine manufacture or origin and in case there are two or more manufacturers of the supplies desired, canvass of the known manufacturers should be made to obtain the lowest price for the quality of the supplies desired.

SEC. 16. Procurement from exclusive Philippine agents or distributors.—Procurement may, in the case of supplies of foreign origin, be made direct from the exclusive Philippine distributor or agent as certified to by the Bureau of Supply Coordination, subject to the following conditions:

- That the exclusive Philippine distributor has no sub-dealers selling at lower prices; and
- No suitable substitutes of substantially the same quality are available at lower prices.

"Suitable substitute" means that kind of article which would serve substantially the same purpose or produce substantially the same results as the brand, type or make of article originally desired or requisitioned.

SEC. 17. Procurement thru the Bureau of Supply Coordination.—Local government units may have their supply needs serviced by the Bureau of Supply Coordination under the rules and regulations of said office.

SEC. 18. Procurement from government entities or foreign governments.—Procurement may be made direct from government entities producing the supplies desired including units or agencies of foreign governments with whom the Philippines maintains diplomatic relations. In the latter case, prior authority from the Office of the President shall be required.

SEC 19. Annual procurement program.—On or before the fifteenth day of April each year, the local treasurer shall prepare, for the approval of the local chief executive, an annual procurement program for the ensuing fiscal year which shall contain and show an itemized list of the estimated quantity of supplies needed for the entire ensuing fiscal year, a complete description thereof as to kind, quantity and quality, the estimated cost, and the balanced on hand. However, the total estimated cost of the approved annual procurement program shall not exceed the total appropriations authorized for the acquisition of supplies.

Except in emergency cases or where urgent indispensable needs could not have been reasonably anticipated no purchase of supplies shall be made unless included in, or covered by, the approved procurement program. In the absence of such a program, however, supplies for essential operations and services may be procured within the limits of existing appropriations.

The conversion of excess cash into supplies stock is hereby prohibited except to the extent of the kind and quantity specified in the approved annual procurement plan.

SEC. 20. Primary and secondary accountability for government property.—Every head of department or office of a province, city or municipality shall be primarily accountable for all government property assigned or issued to his department or office. The person or persons entrusted with the possession or custody of government property under the accountability of any head of department or office shall be immediately accountable to such officer.

The head of department or office primarily accountable for government property may require any person in possession of the property or having custody and control thereof under him to keep such records and make such reports as may be necessary for his own information and protection.

Buildings and other physical structures shall be under the accountability and responsibility of the local treasurer.

Every officer primarily accountable for government property shall keep a complete record of all property under his charge and render his accounts therefor semi-annually to the treasurer of the local government unit concerned.

SEC. 21. Responsibility for the proper use and care of government property.—The person in actual physical possession of government property or entrusted with its custody and control shall be responsible for the proper use and care of the property and he shall exercise due diligence in the utilization and safe-keeping thereof.

SEC. 22. Measure of liability of persons accountable for government property.—The person immediately accountable for government property shall be liable for its money value in case of the illegal, improper or unauthorized use of the property, or misapplication thereof, by himself or any other person for whose acts he may be responsible, and he shall be liable for all loss, damage, or deterioration occasioned by negligence in the keeping or use of such property unless it is shown or proved that he has exercised due diligence and care in the utilization and safekeeping of the property.

No accountable person shall be relieved from liability by reason of his having acted under the direction of a superior officer in using property with which he is chargeable; but the officer directing any illegal, unauthorized or improper use of property shall first be required to answer therefor.

In cases of loss, damage or deterioration of government property arising from, or attributable to, negligence in security, the head of the security agency shall be held liable therefor.

SEC. 23. Credit for loss occurring in transit or due to casualty.—When a loss of government property occurs while the same is in transit or is caused by fire, theft, force majeure, or other casualty, the officer accountable therefor or having custody thereof shall immediately notify the provincial or city auditor concerned within thirty days from the date the loss occurred or for such longer period as the provincial or city auditor concerned may in the particular

case allow, and he shall present his application for relief, with the available evidence in support thereof. An officer who fails to comply with this requirement shall not be relieved of liability or allowed credit for any such loss in the settlement of his accounts.

A provincial or city auditor shall not allow credit for these losses unless the Chairman of the Commission on Audit shall give him express authority to that effect, to be exercised only if the loss is not in excess of ten thousand pesos. When, in any case, the allowance of credit is not within the competency of the provincial or city auditor, the application and evidence, with the recommendation of the auditor shall be forwarded to the Chairman of the Commission on Audit for his action.

SEC. 24. Property disposal.—When property of any local government unit has become unserviceable for any cause, or, is no longer needed, it shall, upon application of the officer accountable therefor, be inspected and appraised by the Provincial or City Auditor or any of his duly authorized representative or that of the Commission on Audit, and if found, valueless or unsaleable, shall be destroyed in the presence of the inspecting officer.

If found valuable, the same shall be sold at public auction to the highest bidder under the supervision of the Committee on Award and in the presence of the Provincial or City Auditor or his duly authorized representatives. Notice of the public auction shall be posted in at least three conspicuous places and if the acquisition cost exceeds ten thousand pesos in the case of provinces, pub-provinces and cities, and five thousand pesos in the case of municipalities, notice of auction shall be published at least three times within a reasonable period in a newspaper of general circulation in the locality.

SEC. 25. Negotiated sale of property.—Property no longer needed may also be disposed of at a private sale at such prices as may be determined by the Committee on Award, subject, however, to the approval of the Commission on Audit when the acquisition or transfer cost of the property exceeds five thousand pesos in the case of provinces, sub-provinces and cities, and by the Provincial Auditor, in the case of municipalities when the acquisition cost is more than three thousand pesos.

When real property is involved, the disposal shall be subject to the approval of the Office of the President and the Commission on Audit regardless of the value or cost involved.

SEC. 26. Transfer without cost.—Property unserviceable or no longer needed by any local government unit may be transferred without cost to another government unit, local, national or corporate, at an appraised valuation determined by the local Committee on Award. Such transfer shall be subject to the approval of the local legislative body of the local government unit making the transfer and by the head of the department or office receiving the property.

SEC. 27. Transitory provisions.—Upon approval of this Decree all government property issued or assigned to the different offices or departments of local governments shall be deemed ipso facto transferred to the primary accountability of the office or department head concerned, and within ninety days thereafter the said transfer shall be accomplished and reflected in the manner and official form prescribed for the purpose.

SEC. 28. Implementing rules and regulations.—The Secretary of Finance jointly with the Secretary of General Services shall promulgate rules and regulations to effectively implement the provisions of this decree, including requirements as to testing, inspection and standardization which rules and regulations shall be deemed part of this decree. Said rules and regulations shall not be effective without the concurrence of the Commission on Audit.

SEC. 29. Repealing clause.—All acts, laws or decrees or parts of acts, laws or decrees inconsistent with the provisions of this Decree are hereby revoked, repealed or modified, accordingly.

SEC. 30. Effectivity.—This Decree shall take effect upon its approval.

Done in the City of Manila this 2nd day of August, in the year of Our Lord nineteen hundred and seventy-four.

(Sgd.)

FERDINAND E. MARCOS

President of the Philippines

By the President:

(Sgd.)

ALEJANDRO MELCHOR

Executive Secretary

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