



Commission on Human Rights  
United Nations Development Programme



**PHI/02/011 – RIGHT TO DEVELOPMENT:  
STRENGTHENING INSTITUTIONAL CAPACITIES  
TO MAINSTREAM GENDER AND HUMAN RIGHTS**

CHR Reengineering Project  
**Physical Assets**

**DESIGN REPORT**

**OCTOBER 2003**

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# **EXECUTIVE SUMMARY**

## **PHYSICAL ASSETS**

### **1 INTRODUCTION**

1.1.1 Physical assets management pertains to the means of obtaining the most economical use of property. It defines purchases suitable for indicated needs. Thus, supply operation is an integral part of physical asset management which intends at avoiding unnecessary and non-essential purchases.

1.1.2 The components of the physical assets management system are procurement, inventory, maintenance, valuation, disposal and accounting.

### **2 OBJECTIVES**

2.1.1 The proposed reform measures are aimed at providing the CHRP with an efficient and effective physical assets management system capable of planning, allocating, spending and distributing its resources while defining responsibilities and accountabilities.

2.1.2 Specifically, the objectives of the reforms on physical assets management are as follows:

- Strengthen the capacity of the CHRP in undertaking asset management functions, thus providing for capable, efficient and transparent procurement, maintenance, inventory, evaluation and disposal systems
- Improve efficiency in the procurement, provision, deployment, maintenance, inventory and disposal of assets in the different offices of the CHRP, including the regional offices, to ensure that the procurement needs of each of these offices are provided at the right quality and on time

### **3 DESIGN CONTEXT AND APPROACHES**

3.1.1 The key design elements for the physical assets management system of the CHRP take into consideration the principles of work efficiency and specific accountabilities of organizational units concerned within a decentralized administrative structure and operating systems, and within the context of instituting stronger mechanisms for accountability and transparency.

3.1.2 The system was designed following existing laws, rules and regulations, and subject to COA audit. Procurement will be based on the provisions of Executive Order No.

40 and its implementing rules and regulations, as well as all pertinent COA issuances, including those of RA 9184 on the modernization, standardization and regulation of the procurement activities of the government.

- 3.1.3 Stronger vertical and horizontal integration, linkages and coordination of physical assets management functions, and their horizontal integration with related functions such as strategic planning, budgeting, and financial accounting, will be forged under the system. The inventory report in particular will guide the CHRP in planning its procurement requirements by assessing the utilization of its property/assets.
- 3.1.4 The system of issuing an Acknowledgment Receipt for Equipment (ARE) links the custodian of the property to accountability. It can also serve as a means of measuring the utilization of property against output and performance. The annual equipment procurement program (AEPP) which indicates in details of the CHRP's annual equipment requirements is one of the supporting documents to the work and financial plan/budget matrix submitted to the DBM at the start of the fiscal year.

## 4 KEY REFORM MEASURES

- 4.1.1 The following key reform measures under the proposed CHRP's physical assets management system are indicated in the following:

*Vertical compartmentalization of physical assets management functions, responsibilities and decision-making to ensure speed, timeliness and responsiveness while addressing concerns of standardization and prioritization*

- 4.1.2 Decentralization will be implemented to improve efficiency, responsiveness in terms of speed and timeliness, and accountability. The delegation of authority to CHRP officials concerned will be as follows:

| TRANSACTION   | APPROVING AUTHORITY            |                    |
|---|--------------------------------|--------------------|
|   | CENTRAL OFFICE                 | REGIONAL OFFICE    |
| Formulation of policies, rules, regulations, standards and guidelines | Commission en Banc             | Commission en Banc |
| Preparation of an annual procurement plan                             | Chairperson                    | Chairperson        |
| Procurement/acquisition of supplies, materials and equipment          | Executive Director             | Regional Director  |
| Physical inventory and issuance of goods/items to users               | GAO Director                   | Regional Director  |
| Disposal of unserviceable property and assets                         | Executive Director             | Regional Director  |
| Maintenance and minor repair of property and assets                   | Executive Director             | Regional Director  |
| Major repair of property and assets                                   | Chairperson                    | Chairperson        |
| Management reporting  | GAO Director                   | Regional Director  |
| External reporting  | Executive Director/Chairperson | Regional Director  |

*Integration and linking the physical assets management system with budgeting, accounting and planning systems*

- 4.1.3 The proposed system will link the physical asset management system by operation and functionalities to budgeting, accounting and internal audit. Each time procurement need is determined, it will be done in consultation with budgeting for funding availability. The procurement process will feed into the accounting system to record the transaction and fund disbursements. The CHR's internal audit unit will also review the procurement process as part of its internal control function.

*Formulation of a Multi-year Procurement Plan and an Annual Procurement Plan*

- 4.1.4 The CHR will formulate and implement a multi-year procurement plan that will contain the intended procurement efforts in the next six years. The plan will indicate procurement of capital equipment, information and technology requirements, as well as repair and refurbishing of existing facilities. The plan will guide the CHR in procurement activities that will be undertaken on the basis of priority, economy and fund/resource availability.

- 4.1.5 An annual procurement plan for supplies, materials and equipment to be used in the day-to-day operations of the CHR will be implemented on a quarterly basis. Stocking of supplies enough for three months consumption will be observed. The re-order point will be established in consideration of the length of time of the procurement process and depletion of stock.

*Distribution Equity*

- 4.1.6 The acquisition supplies, materials and property will be based on the approved annual procurement plan. Distribution is made on the basis of actual requirements of each of the CHR offices.

*Clarifying key policies and procedures for the implementation of various physical assets management activities*

- 4.1.7 Vertical compartmentalization of decision and authority requires definite and clear policies and guidelines. The Commission en Banc will be responsible for approval of such policies, standards, rules and guidelines.
- 4.1.8 The conduct of continuing study on physical assets management to recommend policy measures and guidelines and improve the operation of the system will be undertaken by GAO.

*Installation of appropriate mechanisms for system performance monitoring and evaluation*

- 4.1.9 Periodic reporting on issues and performance of the system will likewise be carried out by GAO in consultation with all CHR offices concerned.

## 5 MAINTENANCE OF PHYSICAL ASSETS

- 5.1.1 A maintenance program will be formulated to keep structures and premises in decent condition, ensure proper functioning and operation of equipment, machines, air-conditioning systems and vehicles, among others, and extend the useful life of all material for maximum utilization. The CHRP Regional Offices will be responsible for the implementation of their respective property maintenance program. The regional offices may outsourced certain services for the purpose, the implementation of measures on major repair of structures or refurbishing to be implemented in accordance with the multi-year procurement plan.
- 5.1.2 Proper maintenance of the CHRP assets will reduce cost and improve service delivery by:
- Providing clean environment for staff and clients
  - Removing fire hazards, thus improving safety
  - Improving morale through better overall appearance and general conditions of the premises
  - Avoiding abnormal wear that results in premature repair and replacement of surfaces and equipment
  - Improving the effectiveness and efficiency of the maintenance staff
  - Promoting the human rights system by gaining greater public acceptance, esteem and required degree of decorum
- 5.1.3 Physical assets maintenance services, activities and procedures include the day-to-day up keep of the CHRP's property and structures, specifically involving the preservation, protection, and buildings, grounds and equipment in a satisfactory state. Repairs, replacement, renovations and adjustments are included in these activities.

# 1

## DESIGN CONCEPTS AND APPROACHES

### 1 INTRODUCTION

- 1.1.1 The key design elements for the physical assets management system of the CHRP take into consideration the principles of work efficiency and specific accountabilities of organizational units concerned within a decentralized administrative structure and operating systems, and within the context of stronger mechanisms for accountability and transparency.
- 1.1.2 The detailed systems design of procedures and reporting requirements for physical assets management are intended to address the need to maintain flexibility in decision-making and to make the system contribute better to the accomplishment of the objectives of the CHRP as the national institution for human rights protection and promotion.
- 1.1.3 This portion of the report contains the bases of designing the proposed for physical assets management system, indicating the overall reform and design objectives and key reform measures under the system.

### 2 OBJECTIVES

#### Reform Objectives

- 2.1.1 The proposed reform measures are aimed at providing the CHRP with an efficient and effective physical assets management system capable of planning, allocating, spending and distributing its resources while defining responsibilities and accountabilities.
- 2.1.2 Specifically, the objectives of the reforms on physical assets management are as follows:
  - Strengthen the capacity of the CHRP in undertaking asset management functions, thus providing for capable, efficient and transparent procurement, maintenance, inventory, evaluation and disposal systems
  - Improve efficiency in the procurement, provision, deployment, maintenance, inventory and disposal of assets in the different offices of the CHRP, including the regional offices, to ensure that the procurement needs of each of these offices are provided at the right quality and on time

- Establish an improved inventory system both at the central office and regional levels, to account and efficiently manage CHRPs property and assets and optimize their utilization

### **Design Objectives**

2.1.3 The design objectives of the physical assets management system in the CHRPs are as follows:

- To vertically compartmentalize physical assets management functions, responsibilities and decision-making to ensure speed, timeliness and responsiveness while addressing concerns of standardization and prioritization;
- To integrate and link physical assets management functions with budgeting, accounting and planning systems;
- To clarify key policies and procedures for the implementation of various physical assets management activities; and
- To install the capacity for proper monitoring, evaluation and accounting of physical asset.

## **3 CONTEXT OVERVIEW**

3.1.1 Physical assets management pertains to the means of obtaining the most economical use of property through efficient systems of procurement, accounting, maintenance, utilization and disposal. It defines purchases suitable for indicated needs. Thus, supply operation is an integral part of physical asset management, which intends at avoiding unnecessary and non-essential purchases.

3.1.2 The physical assets management system has the following purposes:

- **DEFINING ACCOUNTABILITIES.** Inventory records provide how property/assets of the CHRPs are distributed. Through the Acknowledgment Receipts for Equipment (AREs) issued by agency Property Officer, accountability is recorded after procuring the items. AREs are periodically updated to determine if there is transfer of accountability.
- **A TOOL FOR PLANNING.** The system is a tool for planning and acquiring future needs for property/assets.
- **INTERNAL CONTROL.** The stock position will indicate at any given time the level of inventory and establish the replenishment point.
- **DETERMINING AND SUPPLYING NEEDS.** The system is capable of identifying requirements and the ability to supply them on time, knowing the proper level of inventory, and avoiding over-stocking and wastage.

- MAINTENANCE AND DISPOSAL. Historical data on vehicles and equipment will provide information when maintenance must be scheduled and completed, and when disposal must be undertaken.

3.1.3 The components of the physical assets management system are procurement, inventory, maintenance, valuation, disposal and accounting which are briefly described hereunder:

- PROCUREMENT concerns the acquisition of property, supply and equipment, to maintain a continuous supply of supplies, materials and equipment needed in the operations and to support the different activities of the agency in a manner that value for money is obtained.<sup>1</sup>
- INVENTORY is the process of systematically recording and reporting all property/assets, showing their value and distribution. It determines the accountability of the custodian at any given time.
- MAINTENANCE is the manner by which assets and property are being taken care of and maintained periodically to prolong their life and obtain optimum utility.
- VALUATION is the determination of the value of the property or assets at a given time. For example, whenever an equipment or motor vehicle has exceeded its economic life, disposing the item may be considered. Valuation considers certain factors like how much the item must be sold and how much the buyer would pay for it given its age, condition, economic life, and replacement value.
- DISPOSAL is the orderly manner of getting rid of unserviceable property either through public bidding, donation or destruction. Disposal of government property must be in accordance with pertinent rules, regulations and laws.
- ACCOUNTING is the process by which the procurement transactions are recorded and funds are accordingly disbursed and taken up in the agency books of accounts.

## 4 DESIGN FRAMEWORK

4.1.1 The proposed design for the CHRP's physical assets management system considers the following key reform measures:

*VERTICAL COMPARTMENTALIZATION OF PHYSICAL ASSETS MANAGEMENT FUNCTIONS, RESPONSIBILITIES AND DECISION-MAKING TO ENSURE SPEED, TIMELINESS AND RESPONSIVENESS WHILE ADDRESSING CONCERNS OF STANDARDIZATION AND PRIORITIZATION*

4.1.2 Decentralization will be implemented to improve efficiency, responsiveness in terms of speed and timeliness and accountability. Stronger vertical and horizontal integration, linkages and coordination of physical assets management functions and

<sup>1</sup> Manual on Procurement, Commission on Audit

their horizontal integration with related functions such as strategic planning, budgeting, and financial accounting will be forged. This is intended to ensure that the management of physical assets supports the development and implementation of organizational plans and programs that pursue achievement of the goals of the CHRP.

*INTEGRATION AND LINKING THE PHYSICAL ASSETS MANAGEMENT SYSTEM WITH BUDGETING, ACCOUNTING AND PLANNING SYSTEMS*

- 4.1.3 The physical asset management system will be linked by operation and functionalities to budgeting, accounting and internal audit. Each time procurement need is to be done it must be in consultation with budgeting for funding availability. The procurement process feeds into the accounting system to record the transaction and fund disbursements. The agency's internal audit unit also reviews the procurement process as part of its internal control function.
- 4.1.4 The physical assets management system will help in determining CHRP's capital expenditures for a given period. The inventory report in particular will guide the CHRP in planning its procurement requirements by assessing the utilization of its property/assets. The system of issuing Acknowledgment Receipts of Equipment (AREs) links the custodian of the property to accountability. The ARE is moreover useful in determining the utilization of property against output and performance.
- 4.1.5 An annual equipment procurement program (AEPP), which indicates in details an agency's equipment requirements is another document being used in physical assets management. It is one of the supporting documents to the work and financial plan/budget matrix submitted to the DBM at the start of the fiscal year.

*FORMULATION OF A MULTI-YEAR PROCUREMENT PLAN AND AN ANNUAL PROCUREMENT PLAN*

- 4.1.6 The CHRP will formulate and implement a multi-year procurement plan that will contain the intended procurement efforts in the next six years. The plan will indicate procurement of capital equipment, information and technology requirements, as well as repair and refurbishing of existing facilities. The plan will guide the CHRP in procurement activities that will be undertaken on the basis of priority, economy and fund/resource availability.
- 4.1.7 An annual procurement plan for supplies, materials and equipment to be used in the day-to-day operations of the CHRP will be implemented on a quarterly basis. Stocking of supplies enough for three months consumption will be observed. The re-order point will be established in consideration of the length of time of the procurement process and depletion of stock.

*DISTRIBUTION EQUITY*

- 4.1.8 The acquisition supplies, materials and property will be based on the approved annual procurement plan. Distribution is made on the basis of actual requirements of each of the CHRP offices.

*CLARIFYING KEY POLICIES AND PROCEDURES FOR THE IMPLEMENTATION  
OF VARIOUS PHYSICAL ASSETS MANAGEMENT ACTIVITIES*

- 4.1.9 Vertical compartmentalization of decision and authority requires definite and clear policies and guidelines. The Commission en Banc will be responsible for approval of such policies, standards, rules and guidelines.
- 4.1.10 The conduct of continuing study on physical assets management to recommend policy measures and guidelines and improve the operation of the system will be undertaken by GAO.

*INSTALLATION OF APPROPRIATE MECHANISMS FOR SYSTEM  
PERFORMANCE MONITORING AND EVALUATION*

- 4.1.11 Periodic reporting on issues and performance of the system will likewise be carried out by GAO in consultation with all CHRP offices concerned.

*ACCOUNTABILITY AND TRANSPARENCY*

- 4.1.12 Property accountability is the obligation imposed by law for keeping accurate record of property. The person who has been given this responsibility may or may not have the actual possession of the property. Property responsibility is the obligation of an individual for the custody, care and safekeeping of property entrusted to him under his supervision. PD 1445 provides that all money and property officially received by a public officer in any capacity or upon any occasion must be accounted for as government funds or government property and taken up in the books of account of the agency concerned.
- 4.1.13 The physical assets management system is designed within the context of the principle of strengthened accountability. The procurement and physical assets management operations, including policies, systems, procedures and practices must however be consistent with existing laws, rules and regulations, and subject to COA audit. The system design is further consistent with the decentralized administrative structure which delegates to certain extent operational planning and implementation functions on property and asset management to the different CHRP offices.
- 4.1.14 The recommended systems and procedures in physical assets management will feature the description of transactions involved, responsibilities and accountabilities. These will link with the integrated financial system components. Transaction data from physical assets management will be captured in a database to provide the information necessary for management action and decision-making at all stages of the integrated financial statement. Transparency and accountability will be reinforced at all levels, and necessary mechanisms for self-assessment will be made available to improve the Commission's capacity to perform effectively in terms of both quality and output.

## **5 ORGANIZATION OF REPORT**

5.1.1 The report contains two parts, as follows.

PART I - CONTEXT OVERVIEW, which covers the context overview of the design, including the key reform measures that provide the design framework.

PART II - SYSTEMS DESIGN, which presents the operating policies, vertical compartmentalization and core processes of the proposed system

# 2

## SYSTEMS DESIGN

### 1 INTRODUCTION

- 1.1.1 Physical assets management covers acquisition/purchases to meet the requirements of the different CHRP offices for property and assets. The components of the physical assets management system are procurement, inventory, maintenance, valuation, disposal and accounting.
- 1.1.2 This portion of the report includes the operating policies, and the vertical compartmentalization of procedures and decision making, as well and the core processes of transactions covered by the system.

### 2 OPERATING POLICIES

- 2.1.1 The design of the physical assets management system of the CHRP considers the following policies:

*FORMULATION AND IMPLEMENTATION OF A MULTI-YEAR PROCUREMENT PLAN AND AN ANNUAL PROCUREMENT OPLAN*

- 2.1.2 The CHRP will formulate and implement its multi-year procurement plan that will contain the intended procurement efforts in the next six years. The plan will indicate major procurement of capital equipment, information and technology plan, as well as repair and refurbishing of existing facilities. The plan will guide the CHRP in procurement activities that will be undertaken on the basis of priority, economy and fund/resource availability.

- 2.1.3 An annual procurement plan for supplies, materials and equipment to be used in the day-to-day operations of the CHRP will be implemented on a quarterly basis. Stocking of supplies good for three months consumption will be observed to ensure availability of the same whenever needed. The re-order point will be established in consideration of the length of time of the procurement process and depletion of stock.

*CONSISTENCY OF PROCUREMENT PRACTICES WITH EXISTING LAWS*

- 2.1.4 Procurement will be based on the rules provided under Executive Order No. 40 and its implementing rules and regulations, as well as all rules, laws and issuances of the Commission on Audit. The provisions of RA 9184 on the modernization,

standardization and regulation of the procurement activities of the government will moreover be adopted.

#### *STANDARDIZATION AND DISTRIBUTION EQUITY*

- 2.1.5 There will be equitable distribution of resources and properties. The different CHRP offices will be provided with standard equipment and facilities for better implementation of their respective programs, projects and activities.

#### *PROPER MAINTENANCE OF PROPERTY AND ASSETS*

- 2.1.6 The facilities and equipment of the CHRP will be properly maintained to make them always operational and functional, and to preserve and extend their useful life.

#### *ACCOUNTABILITY AND TRANSPARENCY*

All properties and assets acquired, donated, transferred and obtained from all sources, including other government agencies and private organizations will be accounted for and taken up in the books of accounts, and reported in the annual inventory.

- 2.1.7 There will be transparent mechanisms and processes in the procurement process and disposal of assets and unserviceable properties.
- 2.1.8 Functions will be segregated to install a check and balance mechanism. Internal control will be strengthened at the General Administrative Office (GAO) and in the different Regional Offices of the CHRP.

### **3 CORE PROCESSES**

#### **3.1 Procurement Planning**

- 3.1.1 Procurement planning involves the formulation of a procurement plan on a multi-year and annual bases. The multi-year plan includes procurement of supplies, materials and capital equipment, major repair of structures, scope of work, construction of facilities and other short and long-term plans to enhance the capability of the CHRP Regional Offices to carry out their operations. It contains the method of procurement to be adopted, descriptions and specifications, estimated cost, schedule of procurement and other important details.
- 3.1.2 The annual procurement program is extracted from the multi-year plan and contains an itemized list of supplies, materials, equipment, maintenance and other services, description and specifications of goods, estimated cost, procurement method and schedule of acquisition. Procurement of goods and services under the annual procurement program may be done on a quarterly basis. A re-order point is determined in consideration of stock on hand and the lead time to procure the requirements.

- 3.1.3 COA allows stocking of supplies and materials for a three-month use. It is necessary that the stock position for supplies be regularly posted to determine availability of supplies and materials on-hand.

## 3.2 Inventory Management

- 3.2.1 Inventory management involves the conduct of and preparation of report on an annual basis on physical inventory of all properties acquired through purchase, donation and transfer. Inventory management also includes the issuance of goods to the proper end-user at the right time of need.
- 3.2.2 Recording and tracking the assets of the CHRP will appropriately be done to avoid losses. There are systems available in the market to help any agency track an asset from purchase to disposal. One of these methods is the use of the bar code and personal digital assistant systems, which can handle increasingly complex problems in accounting, distribution, and inventory of physical assets.
- 3.2.3 An Inventory Report will be submitted by the Chairperson to COA.<sup>2</sup> Inventory reports for information technology (IT) equipment and furniture, fixtures, equipment, work animals and books costing less than P10, 000 and those costing P10, 000 and above will be reported separately.<sup>3</sup>
- 3.2.4 The CHRP will begin with its inventory activities starting September of each year for prompt submission to COA of a Consolidated Report of Inventory. An inventory team headed by GAO may be organized to conduct inventory taking. This activity requires physical inspection and matching of all property and assets of the CHRP as recorded in the book of accounts. All property/assets will be properly tagged bearing the corresponding ARE number, date of acquisition and location. The conversion of these tags into bar codes once an automated system has been installed will be accomplished. The inventoried property will be entered in the Inventory Report, indicating its condition and location/deployment.
- 3.2.5 The Inventory Report will be prepared using Gen. Form No. 13, to be signed by the Property Officer. Any property reflected in the Inventory Report for the previous year that could not be accounted for will be noted by the inventory team and reported separately for further verification by the Property Officer. The location of the unaccounted property will be verified and ultimately resolved by the accountable officer.

## 3.3 Procurement and Distribution

- 3.3.1 Requests for purchase of supplies, materials and property will be based on the approved annual procurement plan. All requests will be supported by a Purchase Request (PR) duly approved by CHRP official concerned.

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<sup>2</sup> PD No. 77 dated August 24, 1974, and Gen. Circular No. 55 dated March 17, 1958, as amended by Gen. Circular 57 dated May 7, 1958, of COA on Inventory of Government Property.

<sup>3</sup> COA Circular No. 98-001 dated February 3, 1998.

- 3.3.2 The CHRP may not be limited to acquiring its supplies, materials and equipment direct from the Procurement Service of the DBM. As a general rule, procurement will be done through public bidding. However, the alternative modes of procurement under EO 40 may be considered.
- 3.3.3 The CHRP may send direct invitation to bid to pre-selected suppliers of established experience and track record for a particular contract. Procurement may likewise be directly sourced from the manufacturer or exclusive distributors for goods of proprietary nature that could not be sourced elsewhere.
- 3.3.4 For repeat orders, the CHRP may simply request a supplier to serve an order of similar quantity under the same terms and conditions of the contract previously awarded through bidding. However, repeat order may be adopted only within six months from date of original purchase.
- 3.3.5 The shopping method is another scheme. Similar to the open canvass, under this method, the CHRP could request for price quotations from at least three bona fide suppliers for the purchase of over-the-counter goods. The CHRP may also consider negotiated procurement with the lowest bidder if there has been a failure of bidding for the second time, or when an existing contract has been terminated and the goods are necessary to complete a project.
- 3.3.6 In undertaking bidding activities for acquisition of supplies, materials, equipment and other property/assets, there will be a duly constituted Bids and Awards Committee (BAC). The BAC may be a five-member committee composed of a Chairman, members with technical expertise, and a legal officer authorized to conduct bidding, evaluate bids, and recommend award of bids, with the GAO serving as its secretariat. Bidding for regular supply requirements will be done every quarter of the year. Delivery may be made to the GAO at the central office, or directly to the Regional Offices, as may be practicable. The AFSD in each of the Regional Offices will receive the deliveries.

#### **3.4 Asset Valuation And Disposal**

- 3.4.1 The CHRP will dispose of unserviceable equipment and disposable properties which are obsolete, abandoned, excess, or not required for the needs of the government, as well as junk or scrap materials, in accordance with EO No. 888, s. 1983. Vehicles and equipment will be sold when they are beyond economical repair, defined as prohibitive cost of repair and maintenance in excess of 30% of replacement cost.
- 3.4.2 The Inspection and Inventory Report (I & I Report) for Unserviceable Property, or General Form No. 17A, will be used for the disposal of vehicles, mechanized equipment, office equipment, furniture, and semi-expendable materials. The accomplished form will indicate the list of missing parts, if any, which should be accompanied by a certification of the Property Officer or Custodian as to whether the missing parts were removed for future stock or have been utilized during repair.
- 3.4.3 The I & I Report will be prepared by the Property Officer in the GAO, It will indicate all equipment which are considered unserviceable, no longer used, that which has exceeded their economic life, and are considered beyond economic repair.

- 3.4.4 The Waste Material Report (WMR), or General Form No. 64-A, will likewise be prepared by the Property Officer for expendable materials supplies and consumables including spare parts, scrap, broken bulbs, batteries and remnants from destroyed or damaged fixed assets. The GAO will inspect the items contained in the I & I Report and WMR, and will determine the appraise value of the items based on the formula prescribed by the COA.
- 3.4.5 An Appraisal and Disposal Committee (ADC) will be duly constituted in GAO and each of the Regional Offices. The ADC will set the final appraisal of the property to be disposed. Appraised value will be the floor price of the property to be disposed after adopting the formula on appraisal of government properties and taking into consideration the actual condition of the property to be disposed, acquisition cost, current market price of similar property or replacement cost for similar property, useful life, depreciation and fluctuation of the currency.
- 3.4.6 The necessary auction documents will be prepared by the property unit in GAO and the AFSD in the Regional Office, indicating the floor price of the “as is, where: is” property to be disposed. Advertisement will be made at least once in newspapers of general circulation. The DBM limits the cost of advertisement to not more than 50% of the appraised value of the property. Posting may be done as an alternative mode, which will be done in conspicuous public places where property is located. Generally, no accreditation/pre-qualification of buyers is to be made. Buyers are not limited and can include any who can make an offer at appraised value as published.
- 3.4.7 Bid security will be at least 10% of the appraised value of property in the form of cash, manager’s check, or cashier’s check secured from a reputable bank within an area where auction will be conducted. Once the proper authority has approved the appraised value, the ADC will conduct the auction and award the property to the highest bidder.
- 3.4.8 The proceeds of sale will be recorded and taken up as income from sale of unserviceable properties. Thereafter, the auctioned properties will be dropped from the book of accounts by the AFSD in the Regional Office and the FMO in the CHRP central office.
- 3.4.9 There are other modes of disposal which the CHRP may adopt other than public auction, as follows:
- **SALE THROUGH NEGOTIATION.** Negotiation occurs if there are two failures of bidding. The ADC may negotiate with the lone bidder, but the price must not be lower than 80% of the appraised value of the property to be disposed, plus the cost of another public auction.
  - **BARTER.** This involves the direct exchange of commodities without the use of money and without reference to price, or exchange of goods of one character for goods of another. Barter may be resorted to if the offer will be in the interest of and advantageous to the government (COA Cir. 89-239 supra).
  - **TRANSFER OF PROPERTY BETWEEN GOVERNMENT AGENCIES.** Any government property which is no longer serviceable or needed by the owning

agency may be transferred without cost, or at an appraised value, to other agencies of the government on authority of the respective agency heads. (Sec. 76, PD 1445).

- **DISPOSAL OR CONDEMNATION.** This will be resorted to only when the unserviceable property has no commercial value, is beyond economic repair, has no willing receiver, and/or the appraised value is less than the administrative cost of sale, subject to prior inspection by COA. Valueless property will be condemned by destruction, pounding, or throwing beyond recovery. The agency head will approve the disposition (COA Cir. 89-293 Supra).
- **DISPOSAL OF RECORDS.** Unless otherwise specifically provided by law, disposal of government records will be either by sale or by burning. The disposal procedure will be governed by the rules / regulations issued by the Department of Education for the purpose (DECS Dept. Order 13-A, Feb. 3, 1998).

### **3.5 Physical Assets Accounting**

3.5.1 The CHRP Regional Offices will account for all its properties through the ARE. Following procurement, acceptance of delivery and payment, the goods will be recorded and taken up in the book of accounts by the FMO in the CHRP central office. Simultaneously, an ARE will be issued duly approved by the proper authority as evidence that the article / good was received by the end-user.

3.5.2 Items to be transferred from one office to another will also be covered by an ARE. Goods which are no longer used or have become unserviceable will be returned / surrendered to the Property Officer concerned. The Property Officer will cause the cancellation of the ARE.

3.5.3 Surrendered/returned items which can still be used may be issued to another end-user through a new ARE. The previous ARE will be cancelled and filed together, with the new MR to provide for the historical data of the property.

3.5.4 Any property which is missing and can no longer be accounted for during the inventory taking will be reported separately. The end-user/s of the unaccounted property will be notified and asked for explanation on the matter. The end-user may request relief from accountability for property under his care which is lost / damaged without negligence on his part, provided that a police report will be rendered following loss or damage and attached to the request. The request of relief of accountability will be approved by the FMO in the central office and submitted to COA within 30 days. The COA will determine the circumstances for an approval or non-approval of request. The COA action will be the basis for the liability or non-liability of the end-user to pay the lost or damaged property.

### **3.6 Maintenance of Physical Assets**

3.6.1 A maintenance program will be formulated to keep structures and premises in decent condition, ensure proper functioning and operation of equipment, machines, air-conditioning systems and vehicles, among others, and extend the useful life of all material for maximum utilization. The CHRP Regional Offices will be responsible for

the implementation of their respective property maintenance program. The regional offices may outsourced certain services for the purpose, the implementation of measures on major repair of structures or refurbishing to be implemented in accordance with the multi-year procurement plan.

3.6.2 Proper maintenance of the CHRP assets will reduce cost and improve service delivery by:

- Providing clean environment for staff and clients
- Removing fire hazards, thus improving safety
- Improving morale through better overall appearance and general conditions of the premises
- Avoiding abnormal wear that results in premature repair and replacement of surfaces and equipment
- Improving the effectiveness and efficiency of the maintenance staff
- Promoting the human rights system by gaining greater public acceptance, esteem and required degree of decorum

3.6.3 Physical assets maintenance services, activities and procedures will include the day-to-day up keep of the CHRP's property and structures, specifically involving the preservation, protection, and buildings, grounds and equipment in a satisfactory state. Repairs, replacement, renovations and adjustments will be included in these activities. Preventive maintenance will likewise be included . This is a planned schedule for accomplishing required maintenance operations as categorized by the following needs:

- RECURRING – task and jobs which will be performed once or more times each year on a scheduled basis such as floor and furniture care, lawn and grounds maintenance, and specialized care of mechanical and heating equipment.
- PERIODIC - tasks and jobs that may need attention less frequently than recurring maintenance. Generally, they include repair and renovation items that follow cycles of from three to five years, such as roof repair; repair of window shades, blinds and drapes; weather proofing windows, doors and walls and repairing heating plants.
- REPLACEMENTS – occur when circumstances create a need for certain types of maintenance at inopportune times, as with plumbing leaks.
- REPAIR – improvement tasks that restore broken items by replacing parts or by mending/bonding.
- UTILITIES – services such as water, sewer, gas and electricity, which are required to operate a building.

- **HARD AND RESILIENT FLOORING** – all hard flooring such as concrete, ceramic, brick and marble requires stripping and sealing. All resilient flooring such as vinyl, asbestos tile, linoleum, etc. requires several coats of floor finish.
- **HIGH CLEANING** – refers to space throughout the facility 70 inches or more from the floor. It includes but is not limited to walls, ceiling area adjacent to ventilating and air conditioning outlets, transoms, clocks, moldings around ceiling, tops of partitions, overhead pipes, pictures, plaques, wall or ceiling diffusers, file case, bookcases, lockers, etc.
- **PEST CONTROL** – include measures which are necessary to suppress the population of termites, crawling and flying insects, rats, mice and any species which become a pest within or around the facilities.
- **FACILITIES MANAGEMENT** – the total operational responsibility for facilities that includes maintenance and operations of systems, cleaning, landscape maintenance, trash/debris removal, pest control, and structural and maintenance repairs.

## **4 VERTICAL COMPARTMENTALIZATION**

- 4.1.1 The vertical compartmentalization of physical assets management functions and decision-making authority will be consistent with the decentralized operations of the CHRP.

### **Commission En Banc**

- 4.1.2 The Commission en Banc will be responsible for the approval of procurement policies, the six-year CHRP procurement program, and the annual CHRP procurement program.

### **The Chairperson as Chief Executive Officer of the CHRP**

- 4.1.3 As chief executive officer, the Chairperson will be responsible for the formulation of operating policies to implement the medium-term procurement plan and annual procurement program. The Chairperson will install the appropriate operating systems and procedures and will enforce rules at central and regional office levels to ensure the efficiency, responsiveness and integrity of the physical assets management operations. The Chairperson will further have the authority to determine which procurement, disposal, maintenance/repair and other transactional decisions will be made at the central level, and which will be delegated to the Regional Offices in order to ensure speed, enforce standards and quality, ensure appropriate prioritization, and ensure responsiveness.

4.1.4 In determining which decisions can best be delegated to the Regional Offices and those which must be done centrally, the Chairperson may be guided by the following considerations and principles:

- The Regional Offices can best decide on matters with benefits and costs that are specific to the geographical jurisdiction and internal organization of the decentralized units.
- The Chairperson can best decide on matters that require CHRP-wide standardization and prioritization.
- The achievement of economies of scale, which will be weighted against speed, timeliness, efficiency and relevance, should guide the level of decision-making authority to which procurement decisions will be lodged.

#### **Financial Management Office (FMO)**

4.1.5 The GAO, through the ED and the Commissioner-In-Charge (CIC) concerned, will assist the Chairperson in the performance of her physical assets management functions. The GAO will formulate and recommend to the Chairperson policies, standards, guidelines and procedures for the operational decision-making of the Regional Offices. It will be responsible for assisting the Chairperson in the performance of centrally decided procurement transactions.

#### **General Administrative Office (GAO)**

4.1.6 The GAO will undertake the following in the operationalization of the physical asset management system:

- Procurement policy formulation and planning
- Inventory management policy formulation and monitoring of inventory management functions of the entire CHRP
- Management of physical assets information system
- Price monitoring
- Evaluation and processing of procurement, maintenance, disposal and other physical assets management related transactions that are to be decided on by the Chairperson

#### **Regional Offices**

4.1.7 Consistent with the decentralization policy, physical assets management functions will be delegated to the different CHRP Regional Offices to the extent possible, to speed up procurement activities, provide timely services, and ensure responsiveness to identified requirements.

- 4.1.8 The Administrative and Financial Services Division (AFSD) in RO shall assist the Regional Director in the formulation of the RO procurement plans and programs, and for the implementation of such approved plans and programs, subject to delegation of specific decision-making authority by the Chairperson.
- 4.1.9 The ASFD, RO will be responsible for implementing the physical assets management policies and procedures prescribed by the Chairperson. The AFSD will moreover be responsible for the processing of all transactions related to procurement, maintenance and disposal, for inventory management and physical assets accounting, and for physical assets planning and performance monitoring/evaluation. The specific responsibilities of AFSD along procurement, custody, and maintenance of property and assets will be as follows:

*Procurement of Supplies*

- Prepare procurement plan
- Receive and process a Requisition and Issue Slip (RIS) which is used to request supplies and materials that are carried on stock
- Prepare bid documents, advertisement, notices, issue documents, prepare minutes of bids, keep documents
- Prepare Notice of Award
- Prepare Purchase Order (PO) which is used to support purchases of equipment, supplies and materials
- Monitor prices of goods
- Prepare periodic reports and submit to GAO and FMO
- Prepare Disbursement Vouchers (DVs)

*Property Custody*

- Prepare stock position / RIS for supplies
- Do inventory taking and reporting
- Prepare ARE, invoice receipt
- Issue and cancel ARE
- Preserve AREs, insurance & registration
- Receive and inspect delivery, and render Report of Inspection & Acceptance
- Distribute and issue commodities
- Receive or re-issue returned goods
- Prepare an inventory and Inspection Report for Unserviceable Property (I & I Report)
- Prepare a Waste Material Report
- Prepare periodic reports and submit to GAO and FMO

*Property Maintenance*

- Prepare a maintenance plan
- Implement maintenance plan
- Supervise the upkeep and cleanliness of structures

- Undertake minor repairs
- Attend to all calls and complains relative to facilities
- Render periodic reports and submit such to GAO
- Prepare RIS to implement maintenance program

4.1.10 The vertical compartmentalization of decision-making in physical assets management is shown in Table 1.

**Table 1**  
**VERTICAL COMPARTMENTALIZATION, PHYSICAL ASSETS MANAGEMENT**

| Transaction Title   | Office/Regional Director  | E D  | CIC   | Chair   | CEB      |
|---|---|--|---|---|----------|
| Formulation of policies, rules, regulations, standards and guidelines on physical assets management | GAO prepares policies, rules, regulations, standards and guidelines, in consultation/ coordination with Offices concerned<br><br>GAO endorses   | Endorses   | Endorses  | Endorses  | Approves |
| <b>Procurement</b>  |   |  |   |   |          |
| Preparation of an annual procurement plan   | Office Director in Central Office prepares procurement plan for respective unit and endorses plan<br><br>Regional Director prepares procurement plan of respective unit and endorses plan<br><br>GAO consolidates individual plans of offices and endorses consolidate plan | Endorses   | Endorses  | Approves  | -        |
| Procurement/acquisition of supplies, materials and equipment  | GAO prepares necessary documents on procurement for Central Office requirements and endorses<br><br>ASFD prepares necessary documents on procurement for RO and endorses<br><br>Regional Director approves procurement based on approved annual plan                        | Approves procurement for Central office<br><br>Endorses procurement outside approved annual plan | Endorses procurement outside approved annual plan | Approves procurement outside approved annual plan | -        |

| Transaction Title                                       | Office/Regional Director  | E D   | CIC  | Chair                 | CEB |
|---|---|---|--|-----------------------|-----|
|   | Regional Director endorses procurement requirements outside approved annual plan  |   |  |                       |     |
| <b>Property</b>   |   |   |  |                       |     |
| Physical inventory and issuance of goods/items to users | GAO implements in Central Office and endorses for approval of necessary action<br><br>AFSD, RO implements in the region   | Approves required action on physical inventory of property and assets in the Central Office                       | -  | -                     | -   |
| Disposal of unserviceable property and assets           | GAO prepares documents on property disposal in the Central Office and endorses<br><br>AFSD, RO prepares documents on property disposal for the RO concerned and endorses<br><br>Regional director approves disposal                                   | Approves disposal in Central Office   | -  | -                     | -   |
| Maintenance and repair of property and assets           | GAO implements regular maintenance and repair program in Central Office and endorses for action<br><br>GAO prepares necessary documents for major repair and endorses for appropriate action<br><br>Regional Director endorses major repair in the RO | Approves regular repair/maintenance program in Central Office<br><br>Endorses major repair for appropriate action | Endorses major repair for appropriate action | Approves major repair | -   |
| Management and external reporting                       | Regional Office prepares reports and endorses<br><br>GAO prepares consolidated reports and endorses   | Endorses  | Endorses                                     | Approves              | -   |