



PAMBANSANG PUNONGHIMPILAN TANOD BAYBAYIN NG PILIPINAS
(National Headquarters Philippine Coast Guard)
139 25th Street, Port Area
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**STANDARD OPERATING PROCEDURE
NUMBER 04-20**

**GUIDELINES AND PROCEDURES IN THE MANAGEMENT OF LETTERS OF
CREDIT FOR PHILIPPINE COAST GUARD (PCG)**

I. REFERENCES

- a. Presidential Decree (PD) Nr 1445 dated 11 June 1978, Subject: Ordaining and Instituting a Government Auditing Code of the Philippines;
- b. Republic Act (RA) Nr 9184, The Government Procurement Reform Act and Its Revised Implementing Rules and Regulations;
- c. Government Accounting Manual, s-2015 Volume I;
- d. Commission on Audit (COA) Circular Nr 2012-001 dated 14 June 2012, Subject: Prescribing the Revised Guidelines and Documentary Requirements for Common Government Transactions;
- e. Department of Finance (DOF) Circular Nr 01-2017 dated 11 May 2017, Subject: Amended Guidelines on Authorized Government Depository Banks (AGDB);
- f. AFP Financial Management Letter Nr 2019-11 dated 22 October 2019, Subject: Guidelines and Procedures in the Management of Letters of Credit for Armed Forces of the Philippines (AFP) Modernization Projects; and
- g. Government Procurement Policy Board (GPPB) Circular Nr 05-2019 dated 22 April 2019, Subject: Payment through Issuance of Letters of Credit from Government Servicing Banks (GSBs) in Favor of Foreign Suppliers.

II. PURPOSE

This SOP provides the guidelines and procedures in the management of Letters of Credit for PCG.

III. DEFINITION OF TERMS

a. Letter of Credit (LC) – refers to a trade payment method in which a written financial document is issued by a buyer's bank, in favor of a seller, authorizing the seller to request payment in accordance with certain terms and conditions. It guarantees the seller immediate or future payment when the seller presents documents that absolutely conforms to the LC requirements. Issuance of an LC is governed by the Uniform Customs and Practice for Documentary Credits 600 (UCP 600). LC should always be irrevocable.

b. Advice of Payment – refers to a written notice to instruct a bank to make payment to the supplier.

c. Foreign Procurement – refers to the purchase of items of supplies, materials, equipment and services of foreign sources through government-to-government sales arrangements or through direct commercial purchase either from foreign manufacturers, suppliers, dealers or contractors. Foreign procurement initially involves foreign exchange transactions as part of the procurement contract.

d. Authorized Government Depository Bank (AGDB) – refers to the preferred AGDB of the Philippines that opens/issues the LC pursuant to DOF Circular NR 01-2017 dated 11 May 2017 and wires the transfer of the amount to the supplier's foreign bank.

e. The Applicant (PCG/Applicant) – refers to the buyer or importer, may also be called as the accountee or principal, who applies for the LC, and gives clear instructions to the supplier's preferred bank the terms and conditions of the LC to be issued.

f. The Seller (Exporter/foreign country) – refers to the one who receives payment under the LC; may also be called the exporter, beneficiary or seller who presents documents to his preferred bank as required in the LC.

g. Disbursement Voucher (DV) – refers to a document prepared by the Requesting Office/Unit used to pay an obligation to individuals/agencies/creditors for goods purchased or services rendered.

IV. POLICY GUIDELINES

a. All contracts concerning foreign procurement shall be approved in accordance with RA 9184 and its Implementing Rules and Regulations (IRR), and approved Annual Procurement Plan (APP).

b. Adherence to the DBM and GPPB guidelines on early procurement activities.

c. LC, as the mode of payment, shall be used for foreign procurement as stipulated in the approved contract. LC shall be issued in favor of the foreign supplier or manufacturer; provided that no payment on the LC shall be made until the delivery and acceptance of goods as certified by the procuring entity and in accordance with the delivery schedule as stipulated in the contract; provided further, that the cost for the opening of LC shall be for the account of the foreign suppliers and must be stated in the Bidding Documents.

d. In case of conflict on the provisions of the RA 9184 and a Treaty or International or Executive Agreement on the bearer of cost for the opening of LC, the latter shall prevail.

e. CGPS shall be responsible in the overall management of the procurement and shall be the focal office to facilitate the approval and signing of all procurement contracts under the authority of the Commandant, PCG (CPCG). Likewise, CGPS shall coordinate with cognizant offices for the preparation of the procurement financial program.

f. The approving authority/signatory of the Disbursement Voucher (DV), Check and Advice of Payment in the Letters of Credit shall be the Commandant, PCG.

g. Commandant, PCG and Commander, CG Finance Service (CGFS) shall be the signatories in the application for the opening of LC and any payment thereon upon notice and submission of supporting documents of CGPS.

h. Disbursement of all transactions pertaining to LC shall be supported by the necessary documents, subject to accounting and auditing rules and regulations.

i. The liquidation of the LC shall be the responsibility of the CGPS.

j. The CG Supply Accountable Officer (SAO) shall acknowledge receipt of the items delivered and submit the Inspection and Acceptance Report signed by the end-user as applicable to the Accounting Service for recording purposes.

k. The CGPS shall report any changes in the contract on transactions made on opened LC to CG-6, ASO and CGFS. Likewise, ASO shall similarly render monthly reports on LCs that were obligated and liquidated to the CPCG.

l. Only bonded collecting officer is authorized to collect the residual amount of LC and any amount collectible from the seller.

V. RESPONSIBILITIES

a. Concerned NHQ-PCG Central Staff or Program Director of the Project:

a.1. Acts as the channel for official communications to and from the foreign seller;

a.2. Submits purchase request and supporting documents to CGPS as soon as the National Expenditure Program (NEP) is published by the DBM for the early procurement activities of the project;

a.3. Responsible for the processing of license and permit from regulatory agencies;

a.4. Responsible for the processing of requirements of Bureau of Customs (BoC) for the release of shipment;

a.5. Monitors the schedule of delivery of shipment and reports any delay to CPCG (Attn: CGPS) for the determination of liquidated damages, if applicable;

a.6. Informs CGPS, TIAC and SAO on the arrival date of shipment and coordinates for the schedule of conduct of inspection and acceptance; and

a.7. Ensures immediate conduct of inspection and acceptance upon arrival and readiness of shipment. In case of delay, prepares report to CPCG (Attn: CGPS) indicating the cause of delay. The said report will be the basis of CGPS to determine whether or not to impose liquidated damages to seller.

b. Deputy Chief of Coast Guard Staff for Comptrollership, CG-6:

b.1. Certifies availability of allotment; and

b.2. Prepares Cash Program.

c. Coast Guard Procurement Service

c.1. Facilitates the approval and signing of all PCG contracts and supporting documents under the authority of CPCG

c.2. Maintains all documents pertaining to PCG projects requiring LC

c.3. Determines if liquidated damages will be imposed or not to the seller, in case of delay of delivery, inspection and acceptance as reported by the concerned HPCG Central Staff or Program Director of the project; and

c.4. Informs CGFS of the liquidated damages to be collected from the seller through Memo prior to issuance of advice of payment.

d. Accounting Service Office:

d.1. Certifies availability of fund based on certification of availability of allotment from CG-6;

d.2. Ensures posting of all transactions pertaining to LC; and

d.3. Maintains a record for LC.

e. Coast Guard Finance Service

e.1. Ensures signatories in the check, application of the opening of LC and advice of payment;

e.2. Prepares and issues check;

e.3. Prepares and processes the application for opening of LC;

e.4. Facilitates in the payment for LC;

e.5. Maintains custody of LC for safekeeping;

e.6. Either collects the liquidated damages from the seller before the issuance of advice of payment or deducts liquidated damages from the amount of advice of payment; and

e.7. Ensures remittance of residual amount to Bureau of Treasury (BTr).

f. Coast Guard Supply and Accountability Office

f.1. Prepares and signs Notice of Delivery and Inspection with attached copy of Delivery Receipts and Sales Invoice; and

f.2. Prepares and signs Inspection and Acceptance Report.

VI. PROCEDURES

a. Obligation of Funds for the Proposed Contract & Certification on the Availability of Fund

a.1. DBM shall issue a Special Allotment Release Order (SARO) to PCG thru CG-6 based on the endorsement from the DOTr, if the items are classified under "For Later Release" otherwise, GAA is sufficient;

a.2. "For Later Release" items, CG-6 upon receipt of SARO from DBM, shall furnish a copy of SARO to the CGPS;

a.3. CG Legal Service (CGLS) shall review proposed contract after which will be forwarded to CGPS;

a.4. CGPS shall consolidate the contract package and forward to the Office of the CPCG;

a.5. CPCG approves the contract and forwards the contract package to CGPS;

- a.6. CGPS shall forward the approved contract package with ORS and DV to CG6 for the obligation;
 - a.7. Concerned NHQ-PCG Central Staff or Program Director of the project shall accomplish Box A of the Obligation Request Status (ORS); and
 - a.8. CG6 shall obligate the fund for the approved contract by accomplishing Box B of the ORS and shall record the ORS Nr and forward the contract package with ORS and DV to ASO.
- b. Request for NCA and Approval on the Disbursement of Fund**
- b.1. Head of Requesting Office shall accomplish Box A of the DV;
 - b.2. Upon receipt of the contract package, ORS and DV and all necessary documents, ASO shall provide accounting entries under Box B, shall certify availability of cash, completeness of supporting documents and correctness of amount and sign Box C of Disbursement Voucher (DV);
 - b.3. CPCG shall approve payment by signing Box D of the DV and forward to CG-6 for NCA; and
 - b.4. CG-6 shall forward to CGFS for the preparation of check.
- c. Preparation and Deposit of Check to the Preferred AGDB**
- c.1. MDS Branch of CGFS shall prepare the check and C, CGFS to affix signature on the check and forward to CPCG;
 - c.2. CPCG countersigns the check and forwards the same to CGFS;
 - c.3. CGFS shall issue check and submit duly accomplished application form of LC to the preferred AGDB with other required documentary requirements as stated in Item D: Opening of Letters of Credit; and
 - c.4. The AGDB shall receive check, application form of LC and other documentary requirements and shall issue Official Receipt (OR) to CGFS and sign receiving copy.
- d. Opening of Letters of Credit**
- d.1. CGPS shall forward to CGFS the pro-forma Invoice and preferred AGDB for the opening of LC based on the approved Contract and Notice to Proceed;
 - d.2. CGFS shall coordinate with the International Trade Division of the preferred AGDB and shall prepare the required documents such as but not limited to the following:

- i. Letter of Credit Application Form;
- ii. Application to Purchase Foreign Exchange Form;
- iii. PD 1466 Certification Form;
- iv. Fair Trade and Enforcement Bureau (FTEB) Import Authority;
- v. Signed Proforma Invoice;
- vi. Single Admin Document (SAD);
- vii. Payment of LC Opening Bank Charges; and
- viii. Additional Conditions/Special Instructions for payment to supplier, if necessary.

d.3. CGFS shall prepare and sign the application for opening of LC and forward to CPCG;

d.4. CPCG approves and countersigns the application for opening of LC;

d.5. The AGDB shall receive the application for the opening of LC with attached required documents and shall also notify CGFS once the LC is already opened with a copy of the swift of the approved/opened LC; and

d.6. CGFS shall forward to ASO copies of the OR and approved/opened LC form/swift for recording.

e. Advance Payment

e.1. Supplier shall request payment from CPCG thru Office of the CGPS. Advance Payment must be pursuant to RA 9184 and its IRR;

e.2. Upon approval of CPCG, CGPS shall notify ASO with the attached required documents specified under COA Circular Nr 2012-001 and under the special conditions of the LC as follows:

- i. Authenticated photocopy of the approved APP and any amendment thereto;
- ii. Approved contract;
- iii. Invitation to Apply for Eligibility to Bid;
- iv. Letter of Intent;
- v. Results of Eligibility Check/Screening;
- vi. Bidding Documents;
- vii. Minutes of Pre-Bid Conference;
- viii. Agenda and/or Supplemental Bulletins, if any;
- ix. Bidders Technical and Financial Proposals;
- x. Minutes of Bid Opening;
- xi. Abstract of Bids;
- xii. Post-qualification Report of Technical Working Group;
- xiii. BAC Resolution declaring winning bidder;
- xiv. Notice of Post Qualification;

- xv. BAC Resolution recommending approval and approval of Head of the Procuring Entity of the Resolution of the BAC recommending award of contract;
- xvi. Notice of Award;
- xvii. Performance Security;
- xviii. Program of Work and Detailed Estimates;
- xix. Notice to Proceed, indicating the date of receipt by the contractor;
- xx. Detailed Breakdown of the ABC;
- xxi. Copy of the approved PERT/CPM Network Diagram and detailed computations of contract time;
- xxii. Detailed Breakdown of the Contract Cost;
- xxiii. Authenticated copy of CPCG approval for Advance Payment;
- xxiv. Authenticated copy of the Approved Contract; and
- xxv. Authenticated copy of the Supplier's Letter Request for Advance Payment.

e.3. ASO shall record payment and attach the Journal Entry Voucher (JEV) and forward to CGFS the documents;

e.4. CGFS shall prepare and sign advice of payment to the preferred AGDB and forward to CPCG;

e.5. CPCG approves and countersigns advice for payment and forward to CGFS;

e.6. CGFS shall issue the advice of payment to the preferred AGDB and provide a copy to the CGPS and ASO;

e.7. AGDB shall wire transfer the amount to the Supplier and submit a copy of the wire-transferred payment to CGFS; and

e.8. CGFS shall receive a copy of the wire-transferred payment from the preferred AGDB and shall furnish a copy to CG-6, ASO and CGPS.

f. Drawdown: For Progress Payment

f.1. Supplier shall notify CPCG thru the Office of CGPS for the delivery of goods/items;

f.2. CGPS shall issue notice of inspection to the concerned NHQ-PCG Central Staff or Program Director of the project, members of Technical Inspection and Acceptance Committee (TIAC) and SAO. Likewise, SAO shall notify Resident Auditor from the COA;

f.3. Concerned NHQ-PCG Central Staff or Program Director of the project, TIAC and SAO shall conduct inspection of the delivered goods/items. TIAC shall render an inspection report to CPCG. COA Resident Auditor, as

applicable, shall be informed of the delivery and conduct inspection of the same if warranted;

f.4. CGPS shall notify ASO to pay the supplier with the attached required documents specified under COA Circular Nr 2012-001 and under the special conditions of the LC as follows:

- i. Authenticated photocopy of the approved APP and any amendment thereto;
- ii. Approved contract;
- iii. Invitation to Apply for Eligibility to Bid;
- iv. Letter of Intent;
- v. Results of Eligibility Check/Screening;
- vi. Bidding Documents;
- vii. Minutes of Pre-Bid Conference;
- viii. Agenda and/or Supplemental Bulletins, if any;
- ix. Bidders Technical and Financial Proposals;
- x. Minutes of Bid Opening;
- xi. Abstract of Bids;
- xii. Post-qualification Report of Technical Working Group;
- xiii. BAC Resolution declaring winning bidder;
- xiv. Notice of Post Qualification;
- xv. BAC Resolution recommending approval and approval of Head of the Procuring Entity of the Resolution of the BAC recommending award of contract;
- xvi. Notice of Award;
- xvii. Performance Security;
- xviii. Program of Work and Detailed Estimates;
- xix. Notice to Proceed, indicating the date of receipt by the contractor;
- xx. Detailed Breakdown of the ABC;
- xxi. Copy of the approved PERT/CPM Network Diagram and detailed computations of contract time;
- xxii. Detailed Breakdown of the Contract Cost;
- xxiii. Supplier's Original Invoice;
- xxiv. Supplier's Original Delivery Receipt;
- xxv. Original Copy of Inspection Report;
- xxvi. Original Copy of TIAC Report;
- xxvii. Authenticated Copy of the Bank Guarantee or Certificate of 10% Retention Money; and
- xxviii. Certificate of Liquidated Damages

f.5. ASO shall record payment and attach the Journal Entry Voucher (JEV) and forward to CGFS the documents. Liquidated damages shall automatically be deducted to the amount to be paid;

f.6. CGFS shall prepare and sign the advice of payment to the preferred AGDB and forward to CPCG;

- f.7. CPCG countersigns advice for payment and forward to CGFS;
- f.8. CGFS shall issue the advice of payment to the preferred AGDB and furnish a copy to CGPS and ASO;
- f.9. AGDB shall wire transfer the amount to the Supplier and submit a copy of the wire-transferred payment to CGFS;
- f.10. CGFS shall receive a copy of the wire-transferred payment from the preferred AGDB and shall furnish a copy to CG-6, ASO and CGPS; and
- f.11. CGFS shall ensure that residual amount will be remitted to the account of BTr. Proof of remittance shall be forwarded to the ASO for recording.

VII. RESCISSION CLAUSE

All publications in conflict with this SOP are hereby rescinded.

VIII. EFFECTIVITY

This procedure shall take effect upon publication.

BY COMMAND OF VICE ADMIRAL URSABIA JR:

OFFICIAL:


LIEZEL B. BAUTISTA
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ROLANDO LIZOR N PUNZALAN JR
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