

O/CG4

22 MAY 2009

CIRCULAR)
:)
NUMBER 04-09)

**DISPOSAL OF PCG PROPERTIES
AND UTILIZATION OF THE INCOME DERIVED THEREFROM**

1. **PURPOSE:** This Circular prescribes the policies, responsibilities and procedures for reporting, distribution, turn-in and disposal of government properties and disposition of income derived therefrom.
2. **REFERENCES:**
 - a. Executive Order Nr 475 dated 30 Mar 1998
 - b. Executive Order Nr 477 dated 15 Apr 1998
 - c. Executive Order Nr 888 dated 18 Mar 1983
 - d. Executive Order Nr 285 dated 25 July 1987
 - e. DBM Manual on Disposal and Divestment of Government Property
 - f. COA Circular 89-296
 - g. COA Circular 95-006
3. **SCOPE:** This Circular is applicable to all government properties in all units of the Philippine Coast Guard.
4. **DEFINITIONS**
 - a. **Abandoned property** - any personal property in the possession of any government agency without a known owner.
 - b. **Beyond economical repair** - when the cost of repair and maintenance becomes prohibitive and disadvantageous to the government considering such factors such as maintenance expenses, downtime, replacement cost of spare parts, frequency of breakdown, alternative modes such as rental of equipment or outright replacement.
 - c. **Disposal Activities/Yards** - Units or activities of the PCG that are undertaking disposal actions.
 - d. **Economically Repairable** - that which can be rehabilitated and maintained at a cost economical to the agency.
 - e. **Equipment** - property, other than land, structures and fixed facilities, having a life greater than one year, which when used, does not suffer any material or substantial change or alteration in size or form.

f. **Excess Properties** - Those serviceable properties in the possession of any unit or office which are in excess of the quantity required or authorized for retention, and cannot be utilized as substitute properties to satisfy existing shortages. These include items of supplies in stocks which have no recorded demand.

g. **Expendable Property** - that which may be consumed, spent, or used up, such as supplies.

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

i. **AFP/PN Items** - are items and materials acquired through AFP Funds.

j. **MAP Items** - are items and materials acquired through the Military Assistance Program.

k. **DOTC-PCG Items** - are items and materials through DOTC-PCG Funds.

l. **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.

m. **Non-expendable property** - that, which cannot be consumed, spent or used up, such as equipment.

n. **Obsolete property** - that which has lost its efficacy either due to technological advancement change of procedures, reorganization of office, or completion of project.

o. **Scrap/junk** - fragments of discarded materials that have no value except for its basic material contents and which cannot be reprocessed and reused in the operations of other government property.

p. **Serviceable properties** - Those properties in serviceable condition which are in the possession of a unit or agency of the Philippine Coast Guard (Serviceable properties) including those properties authorized in the TOE and excess properties.

q. **Supplies** - Are expendable commodities which are normally consumed within a year in connection with government operations.

r. **Surplus property** - excess property no longer needed by the government.

s. **Unserviceable property** - property which is beyond repair and has no more utilization potential.

5. POLICIES

a. No disposal action of properties with salvage value shall be undertaken by any unit except those authorized in this circular.

b. Items of supplies in stocks which have no recorded demand for two or more years at any Coast Guard Units shall be declared and reported as excess or obsolete properties.

c. All declared excess properties shall be turned in and redistributed to other units that may need the items before disposal. Physical screening and redistribution of excess properties shall be effected at authorized disposal activities.

d. All disposable properties with salvage value shall be turned in at the cognizant disposal activities. All disposal activities/yards shall ensure that serviceable parts/units are recovered/replaced before disposal action is taken.

e. Unserviceable equipment or properties that are on continuous deadline status for one year or more shall be turned in to appropriate maintenance activities.

f. Awarding of the winning bidders shall be given only for tenders found equal or higher than the final appraised value recommended by the Disposal Committee.

g. All recommendation for awards and disposal/sale/barter/ shall be subject to the final approval of the Commandant through the Deputy Chief of Coast Guard Staff for Logistics, (CG-4).

h. Disposal of properties with appraised value of more than Twenty Million Pesos (P20,000,000.00) however, shall require prior authority from the Secretary of Transportation and Communication.

i. Disposal of properties with appraised value of Two Hundred Thousand Pesos (P200,000.00) and below shall be conducted on the regional level.

j. All sales generated from disposal shall be directly remitted to the CG Finance Center for deposit to the accounts of the National Treasury. A corresponding receipt shall be issued by the CGFC as proof of collection.

6. CREATION OF THE DISPOSAL COMMITTEE

a. The Commandant, Philippine Coast Guard shall create a Committee on Disposal to be known as the PCG Disposal Committee composed of the following:

- | | |
|--------------------------------------|---------------|
| 1) Chief of Coast Guard Staff | - Chairperson |
| 2) DCS for Logistics, CG-4 | - Member |
| 3) DCS for Resource Management, CG-6 | - Member |
| 4) CG Procurement Service | - Member |
| 5) Coast Guard Internal Auditor | - Member |
| 6) CG Legal | - Member |
| 7) Cognizant Staff | - Member |
| 8) Supply Accountable Officer | - Secretariat |
| 9) CG Accountant | - Secretariat |

b. The PCG Disposal Committee shall handle the disposal activities of Coast Guard District for NCR/Central Luzon and PCG Major Units in the Manila/Cavite area.

c. Similarly, on the regional level, the Commandant, Philippine Coast Guard also create a Committee on Disposal composed of the following:

- | | |
|----------------------------------|-----------------|
| 1) Deputy Commander, CG District | - Chairperson |
| 2) District Logistics Officer | - Vice Chairman |

- 3) District Internal Auditor
- 4) RSO

- Member
- Secretariat

7. ACTIVITIES AUTHORIZED TO UNDERTAKE DISPOSAL

a. Main

Philippine Coast Guard Disposal Yard

b. Regional

- 1) Coast Guard District for Central and Eastern Visayas Disposal Yard
- 2) Coast Guard District for South Western Mindanao Disposal Yard
- 3) Coast Guard District for Palawan Disposal Yard
- 4) Coast Guard District for Southern Tagalog Disposal Yard
- 5) Coast Guard District for Western Visayas Disposal Yard
- 6) Coast Guard District for Northern Luzon Disposal Yard
- 7) Coast Guard District for South Eastern Mindanao Disposal Yard
- 8) Coast Guard District for Bicol Disposal Yard
- 9) Coast Guard District for Northern Mindanao Disposal Yard

8. RESPONSIBILITIES

The following are in charge with the responsibilities of determining excess, effecting redistribution in and disposal of properties, and disposition of proceeds derived therefrom and preparation of reports.

a. Disposal Committee

- 1) Inspect the excess or unserviceable equipment property to verify satisfaction for disposal.
- 2) Set the final appraised value of all disposable property considering obsolesce, market demand, physical condition and result of previous bidding for similar property.
- 3) Recommend to the appropriate authority for approval the manner of disposal taking into consideration the pertinent provisions of the Revised Administration Code and other pertinent laws.
- 4) Conduct public bidding for the sale of disposable property on an "AS IS, WHERE IS" basis and recommend the responding award.

b. Deputy Chief of Coast Guard Staff for Logistics, CG4 shall

- 1) Provide overall staff supervision and direction of the disposal activities of the PCG and the utilization of the proceeds.
- 2) Circularize to customer units all reported turn-in excess properties for screening and distribution;
- 3) Effect distribution of excess properties to customer units upon approval of Commandant, Philippine Coast Guard;

- 4) Insure that proceeds in the form of supplies in kind are entered in the PCG Supply System.

c. Deputy Chief of Coast Guard Staff for Resource Management, CG6 shall

- 1) Consolidate all reports from the Disposal activities of the PCG and the utilization of the proceeds of disposal.
- 2) Effect dropping of property from the book of accounts based on accomplished I and I Report, RWM or IR for property submitted.
- 3) Consolidate all reports of collection on disposed items as submitted by CGFC.
- 4) Ensure the cash proceeds of all disposal sales are remitted to the Bureau of Treasury (BTR).
- 5) Through the CG Accounting office to book and record said reports of collection.
- 6) Request the equivalent SARO and NCA from DBM for the acquisition of replacement assets.

d. Supply Accountable Officer/Responsible Supply Officers of Units shall

- 1) Effect the turn in of excess, obsolete, unserviceable or salvage equipment/materials to the cognizant disposal activities/yards.
- 2) Be responsible for the receipt, storage and safekeeping of all turned in excess, obsolete, unserviceable and salvage items;
- 3) Shall provide O/CG4 NLT 15 January every year the necessary clearing documents for the inventory of fixed assets.

e. Coast Guard Finance Center shall

- 1) Collect and consolidate payments/proceeds of disposed items which were sold to concerned individuals.
- 2) Issue corresponding receipts of collections.
- 3) Deposit all collections/proceeds of sold disposed items directly to the account of Bureau of Treasury available at LBP South Harbor Branch or any authorized LBP branches.
- 4) Submit reports of collection to O/CG6 on a monthly basis.
- 5) Maintain records of collections.

f. Coast Guard Procurement Service shall

- 1) Assist in managing the bidding process of properties for disposal.
- 2) Be responsible for the sale and distribution of bidding documents to interested bidders.
- 3) Serve as the focal office in the monitoring of the bidding process and recommend other measures to ensure smooth bidding and award of properties.

g. All Major Unit Commanders shall

- 1) Determine excess properties in their respective command and cause the evacuation and turn in of these properties to the cognizant disposal activities/yards.
- 2) Form a Secretariat to handle all the Disposal Committee's technical and administrative matters as well as the safekeeping and systematic filing of disposal Committee documents and records.
- 4) Designate, maintain, and secure appropriate disposal yards without prejudice to the safety and well being of personnel and the unit premises.

9. DETERMINATION OF DISPOSABLE PROPERTY

Any or all of the following shall constitute disposable property:

- a. Property which can no longer be repaired or reconditioned;
- b. Property whose maintenance cost/costs of repair more than outweighs the benefits and services that will be derived from its continuous use;
- c. Property that has become obsolete or outmoded because of the changes in technology;
- d. Serviceable property that has been rendered unnecessary due to the change in the agency's functions or mandate;
- e. Unused supplies, materials and spare parts that were procured in excess of requirements; and
- f. Unused supplies and materials that has become dangerous to use because of long storage or use which is determined to be hazardous.

10. REPORTING OF GOVERNMENT PROPERTY FOR DISPOSAL

Accountable Officials in possession of unserviceable property shall submit to the disposal committee thru their respective unit commanders the following:

a. Inventory and Inspection Report (I and 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:

- 1) Individual Survey report, duly certified by the Supply Officer and Head of Agency.
- 2) List of missing spare parts, duly certified by the supply officer and head of agency (whether missing parts were removed for future stock or have been utilized already for repair purposes).
- 3) Stencils of chassis and engine numbers of motor vehicles.
- 4) Current photographs in two positions.

b. **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, and remnants from destroyed or damaged fixed assets.

c. **Invoice Receipt of 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.

11. THE INSPECTION PROCESS

a. Inspection may be done separately by each member of the Disposal Committee with CG4 representative or as a group, where practicable. The inspector assigned to conduct an inspection and appraisal of the PCG property to be disposed shall obtain the I and I report and the RWM.

b. In the conduct of ocular inspection, the following activities shall be performed, where applicable:

- 1) Verify stated serial number, motor number, property number, chassis number, and other specifications necessary for establishing correct identification of the property.
- 2) Determine the physical condition/general appearance of the property whether operational, economically repairable or beyond economical repair.
- 3) Determine the quality or degree of maintenance and repair done on the equipment.
- 4) Determine the extent of use, mileage, rat of depreciation, and any excessive wear and tear.

- c. When a particular property is declared junk, the total estimated weight per lot should be determined to form as basis of the appraised value.

12. APPRAISAL

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.

- a. The Disposal Committee members including the owning unit shall each prepare an appraisal report. The procedure as follows:

- 1) Conduct an ocular inspection of the property to be appraised to assess its physical condition.

- 2) Seek reference price information such as acquisition cost, current market price of similar property, or replacement cost for similar property.

- 3) Compute the appraised value following some generally accepted formula which will take account the property's actual physical condition, the relevant price information and the changes in the value of the property caused by the depreciation and those caused by changes in value of the exchange currency of the peso.

- b. The minimum value shall be good only for six months. If the property remains unsold after six months, a reappraisal shall be conducted.

13. METHOD OF DISPOSAL

The disposal committee shall recommend to the Commandant, Philippine Coast Guard the proper mode of disposal. Property may be disposed in any of the following modes as appropriate and deemed most advantageous to the government.

- a. **Condemnation / Destruction of Property** – applies to any property that may be condemned by pounding, burning, breaking, shredding, throwing or any other method by which the property is disposed beyond economic recovery . Destruction shall be made in the presence of the disposal committee.

- b. **Transfer of Property**- Upon the initiative of the owning unit, property recommended for disposal may be transferred to another government agency. Transfer shall be done either with or without cost. Cost in this case refers to the payment based on the appraised value of the property. In effecting the transfer of property to another agency, outside PCG, the invoice receipt for property (IRP or general Form No 30-A) must be prepared by the owning agency and transmitted together with the property to the recipient or requesting agency.

- c. **Barter**- is a modified form of transfer of property wherein an agency transfers property to another government agency in exchange for another piece of property. The value of the property being transferred may or may not be equivalent to that being received. In effecting barter of property, the

invoice receipt for property (IRP or general Form No 30-A) must be prepared by each party and transmitted together with the property of the other party.

d. **Donation of Property-** property recommended for disposal may be donated to charitable, scientific, educational or cultural associations on exceptional and meritorious cases with the approval of the COA and DBM.

e. **Sale of Property**

1) Public Bidding. As a general rule, the disposal of government property shall be through sale by public bidding. It may be done through sealed public bidding or when circumstances warrant, by viva voce.

a) Sealed Public Bidding- Sealed Public Bidding is characterized by the submission of sealed bids by prospective buyers whereby the time, date and place of the opening of bids is indicated in the Invitation to Bid, the evaluation of bid tenders by the Disposal Committee, and awarding to the highest complying bidder.

b) Viva Voce- Disposable property of insignificant value or such nature that require immediate disposal shall be sold through public auction by word of mouth to be conducted by the disposal committee. Other situations/cases for viva voce are those involving the disposal of waste materials and or spare parts of insignificant value.

2) Negotiated Sale is another mode of sale of property which is resorted to as a consequence of a failed bidding.

14. UTILIZATION OF PROCEEDS FROM DISPOSAL

a. All cash proceeds shall be directly remitted to the CGFC by the contractors. The official receipt shall be the basis for the winning contractor to take delivery of the items sold.

b. In the case where payment for the sale of excess unserviceable salvage properties or scrap is made in the form of supplies in kind, such supplies shall be directly delivered to the Coast Guard SAO to be made available for PCG operating units.

c. The basis for determining quantity of supplies to be delivered in payment or to be bartered for properties sold through bidding or negotiation shall be the bid or negotiated price, equated to the fair market value of the supplies bartered.

d. Accumulated proceeds from disposal shall be used to acquire new assets to be determined by the Committee (replacement of disposal property).

15. ACCOUNTING AND AUDITING OF FUNDS AND PROPERTIES

a. **Accounting-** The accounting of properties and funds relative to the disposal of properties shall be made with the applicable laws and regulations.

b. **Auditing-** The auditing of accounts and transactions relative to the disposal of properties shall be in accordance with applicable laws and regulations.

The PCG Internal Auditor or his representative, shall conduct audit of accounts and transactions relative to the disposal of all properties.

c. Upon disposal of property, the pertinent portions of the I and I Report, RWM or Invoice Receipt for Property, whichever is applicable, shall be accomplished. These reports shall be the basis for dropping the property from the books of accounts and for taking up the proceeds from the sale of property.

d. Nothing in this Circular shall preclude the intention of independent auditors of the Commission on Audit in the disposal properties, in the dropping of property accountabilities, and the auditing of disbursement or the proceeds thereof.

16. REPORTS

a. **Quarterly Report on Excess and Disposable Properties-** these reports shall be rendered by the Commanders of the Disposal Activities receiving the turn-in from the customer units. The report shall be categorized and consolidated before submission to CPCG (Attn: DC of S for Logistics, CG-4) for the possible redistribution of excess, not later than the 15th day after the end of the quarter.

b. **Quarterly Status Report of Disposable Properties-** This report shall be rendered by the Property Disposal Committee thru channel, to reach CPCG (Attn: DC of S for Logistics, CG-4) not later than the 15th day after the end of the quarter.

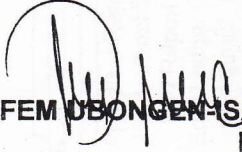
17. RESCISSION AND EFFECTIVITY

- a. Any publications in conflict with this Circular are hereby rescinded.
- b. This Circular shall take effect upon publication.

BY COMMAND OF ADM TAMAYO PCG

OFFICIAL:

ENRICO EFREN A EVANGELISTA
CAPT
Chief Of Staff
PCG


MARIFEM DEONGEM-ISAAC
LT
Adjutant
PCG

Enclosures:

- A. Disposal Flowchart
- B. Appraisal Method
- C. I and I Report Form
- D. Report of Waste Materials Form
- E. Invoice Receipt Form